



DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

**VOLUME 6B: “FORM AND CONTENT OF THE
DEPARTMENT OF DEFENSE AUDITED FINANCIAL
STATEMENTS”**

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**

VOLUME 6B, CHAPTER 1: “INTRODUCTION AND SUMMARY”**SUMMARY OF MAJOR CHANGES**

All changes are denoted by *blue font*.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue and underlined font*.

The previous version dated September 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Multiple	Corrected and added hyperlinks.	Update
010505	Updated the reporting requirements for the non-OMB reporting entities.	Update
010506	Added additional requirement for conducting audits of Federal financial statements provided in OMB’s Bulletin No. 07-04 of September 4, 2007, Audit Requirements for Federal Financial Statements, including technical amendments.	Update

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CHAPTER 1

INTRODUCTION AND SUMMARY

0101 OVERVIEW

The provisions within this chapter constitute guidance on the form and content of quarterly and annual financial statements prepared within the Department of Defense (DoD). This guidance is intended to provide a framework within which each DoD Component has the flexibility to develop and include information useful both to its financial managers and to program managers in making decisions. This guidance applies to all DoD reporting entities identified in section 0105 of this chapter and identifies the level at which functions and/or funds should be reported on a consolidated basis, notes the basis of accounting to be utilized, prescribes the specific authoritative guidance on financial statement format and disclosures, and provides other instructions necessary for the preparation of annual audited financial statements and quarterly unaudited financial statements. When recording accounting transactions, follow the hierarchy of accounting standards found in [Volume 1, Chapter 2. of this Regulation](#).

0102 GENERAL

Under the provisions of [Title 31, United States Code, Section 3515](#), the Department is required to have annual audited financial statements covering all accounts and associated activities of the Department. As implemented by the Office of Management and Budget (OMB), the Department is required to prepare both Agency-wide annual audited financial statements and separate audited financial statements for several individual reporting entities, i.e., Army, Navy, and the Air Force general funds (GF) and working capital funds (WCF), [Military Retirement Fund](#), and [United States Army Corps of Engineers Civil Works](#). The financial statements are expected to provide information to DoD program managers, Congress, and the public, thereby facilitating both effective allocation of resources and assessment of management performance and stewardship. The objective is to produce financial statements that can and will be used to improve the management of the Department. Additionally, consistent with the objectives of the [Statements of Federal Financial Accounting Concepts \(SFFACs\)](#) and [Statements of Federal Financial Accounting Standards \(SFFASs\)](#), the Department continues to work toward the integration of budget and financial information in order to provide for more effective program management at all levels.

0103 BACKGROUND

Federal agencies traditionally prepared financial reports to monitor and control the obligation and expenditure of budgetary resources. With the enactment of [Public Law 101-576](#), “Chief Financial Officers Act of 1990” (CFO Act), [Public Law 103-356](#), “Government Management Reform Act of 1994” (GMRA), and subsequent accountability laws, the Congress called for the production of audited financial statements that fully disclose a Federal entity’s financial position and results of operations, and provide information not only for the effective allocation of resources but also with which Congress, agency managers, the public, and others can assess management performance and stewardship. Accordingly, OMB in consultation with

the [CFO Council](#), the Council of the [Inspectors General on Integrity and Efficiency](#), and other interested parties, developed the formats and instructions for financial statements described in this volume. The annual audited financial statements shall be organized as shown in Table 1-1 of this chapter.

0104 REQUIRED REPORTING DATES

The provisions of this volume require the preparation of annual audited financial statements for the period ending on September 30 of each fiscal year; and the quarterly unaudited financial statements for periods ending December 31, March 31, and June 30 of each fiscal year.

0105 DEPARTMENT OF DEFENSE REPORTING ENTITIES

010501. Audited Financial Statements and Quarterly Unaudited Financial Statements Required by OMB

Executive Branch agencies must generally prepare and submit audited financial statements to OMB. The [CFO Act](#), as amended by [GMRA](#), requires major agencies of the Federal Government to prepare and submit audited financial statements. Additionally, OMB requires the Department and other major agencies to prepare agency-wide quarterly unaudited financial statements according to [OMB Circular A-136](#) Financial Reporting Requirements. The DoD Agency-wide financial statements provide the financial status of the entire Department. There are Component reporting entities within the Department that, while included in the DoD Agency-wide statements, also are required by OMB to prepare stand-alone audited financial statements and quarterly unaudited financial statements. The Component reporting entities are:

- A. Army GF
- B. Army WCF
- C. Navy GF
- D. Navy WCF
- E. Air Force GF
- F. Air Force WCF
- G. Military Retirement Fund
- H. United States Army Corps of Engineers Civil Works

010502. Audited Financial Statements and Quarterly Unaudited Financial Statements Required by the Senate Select Committee on Intelligence

In addition to the reporting entities identified in paragraph 010501, the following entities [will](#) prepare audited annual and unaudited quarterly financial statements to the Senate Select Committee on Intelligence:

- A. Defense Intelligence Agency
- B. National Reconnaissance Office
- C. National Geospatial-Intelligence Agency
- D. National Security Agency.

010503. Other Defense Organizations (ODO)

In addition to the reporting entities identified in paragraph 010501, the remaining accounts of the Department are reported in [three](#) columns of the consolidating balance sheet for the DoD Agency-wide audited financial statements and quarterly unaudited financial statements. The ODO-WCF column will include the financial activity of the WCF organizations that are not identified in paragraph 010501. The ODO-GF column will include the financial activity of the non-WCF organizations that are not identified in paragraph 010501. [The Medicare-Eligible Retiree Health Care Fund \(MERHCF\) column is material to the DoD Agency-wide financial statements and is shown separately.](#)

010504. Consolidation of ODO Audited Financial Statements and Quarterly Unaudited Financial Statements

The consolidation of reporting entity financial statements for Treasury Index “97” funds reported as “ODO-General Funds,” shall follow the flow of funds from the apportionment of an appropriation, to allocation, suballocation, and allotment. The primary advantage of this consolidation method is that program managers and auditors can follow the flow of funds upward and downward and validate the receipt and execution of funds at all levels. For financial statement reporting, accounting activities shall consolidate allotment and suballotment information consistent with the flow (distribution) of funds. The consolidating and combining statements shall include a column for each of its general funds and WCF subentities.

*010505. [Non-OMB Reporting Entities](#)

[The non-OMB reporting entities represent all others not identified in paragraphs 010505 and 010506. These entities are no longer subject to the formal financial statement reporting requirements previously established by DoD and are not a required “reporter” per OMB A-136. These entities have demonstrated the ability to prepare financial statements and conduct the appropriate analyses, therefore quarterly financial statements, accompanying notes, and the related variance analysis are not required to be submitted to the Office of the Under Secretary of Defense \(Comptroller\) \(OUSD\(C\)\) for review. However, to support the preparation of the Agency-wide financial statements, these entities must continue to submit trial balances and corresponding adjustments within Defense Departmental Reporting System – Audited Financial](#)

Statements (DDRS-AFS), DDRS-Budgetary, and DDRS - Data Collection Module. Additionally, these entities are still required to provide information as outlined by the quarterly Agency-wide reporting schedules and guidance. To ensure continued improvement to financial reporting in accordance with Department objectives, these entities will continue value-added financial improvement efforts including evaluation and improvements to internal controls over financial reporting. Reasonableness reviews of financial statements for non-OMB reporting entities during non-reporting periods may result in questions being forwarded for explanation and/or future corrective action. The OUSD(C) delegated financial statement review of the entity's financial information and OUSD(C) oversight of the non-OMB reporting entities to the respective Component's Comptroller or senior financial manager. However, designated DFAS AFS Oversight & Analysis (O&A) staff will remain available to assist in responding to issues or inquiries. Based on the Financial Improvement and Audit Readiness (FIAR) strategy, cost mitigation requirements, and expected progression towards full assertion of auditability, each non-OMB reporting entity will determine their internal reporting and audit requirements, as deemed necessary for continued improvement of financial data and achievement of audit objectives. Entities currently receiving an unqualified audit opinion should consider the cost versus value of the audit in determining requirements and objectives. The non-OMB reporting entities are, as follows:

- A. Defense Logistics Agency GF and WCF
- B. Defense Finance and Accounting Service GF and WCF
- C. Defense Information Systems Agency GF and WCF
- D. Defense Contract Audit Agency
- E. Missile Defense Agency
- F. Defense Advanced Research Projects Agency
- G. Defense Commissary Agency GF and WCF
- H. Defense Security Service GF
- I. Defense Threat Reduction Agency
- J. United States Special Operations Command
- K. Tricare Management Activity
- L. Service Medical Activity
- M. United States Marine Corps GF and WCF
- N. Chemical and Biological Defense

O. Medicare-Eligible Retiree Health Care Fund

*010506. Audit Readiness

DoD Components shall prepare financial statements and have them audited consistent with the requirements of the FY 2002 [National Defense Authorization Act \(Public Law 107-107\)](#). Each DoD Component is required to comply with the [Financial Improvement and Audit Readiness](#) business rules and other guidance issued by the [OUSD\(C\)](#). Each component, after completing their assertion of auditability, and with the advice of the Office of the Inspector General (OIG), DoD shall establish an audit committee to oversee its financial audit. The purpose of the audit committee is to establish audit requirements, identify contract deliverables, monitor the execution of the contract, and to identify and assist with resolution of obstacles to a clean opinion. Once the entity is deemed auditable, the audit committee's focus should be on ensuring a forum exists to address ongoing accounting and auditing issues. Audit committees for [OMB reporting entities identified in paragraph 010501](#) shall include a representative of DoDIG, Office of the Deputy Chief Financial Officer, and DFAS. [Audits of Federal financial statements are conducted in accordance with the requirements found in OMB Bulletin No. 07-04 of September 4, 2007, "Audit Requirements for Federal Financial Statements," as amended.](#) The provisions of this Bulletin apply to audits of financial statements of executive departments, agencies, and government corporations and certain components of these agencies. [Technical Amendments to OMB Bulletin No. 07-04](#) aligns the Federal audit process with the private sector and updates the Bulletin to reflect changes that apply as a result of other recently revised OMB guidance, including OMB Circular Nos. A-136 and A-127.

0106 CONTENT OF ANNUAL AUDITED FINANCIAL STATEMENTS AND QUARTERLY UNAUDITED FINANCIAL STATEMENTS

010601. Major Sections of the Audited Financial Statements

The annual audited financial statements of the OMB Reporting entities identified in [paragraph 010501](#) shall be comprised of nine major sections. [Non-OMB reporting entities not identified elsewhere in this chapter are to follow the requirements outlined in paragraph 010505.](#) The quarterly unaudited financial statements [required for third and fourth quarters](#) shall be comprised of the principal statements and notes to the principal statements and, if applicable, supporting consolidating and/or combining statements. A more detailed outline appears in Table 1-1. Specific instructions for the preparation of the contents of each section are provided in individual chapters of this volume. The nine major sections and the sequence of their presentation are as follows:

- A. Agency Head Message
- B. Management's Discussion and Analysis (MD&A)
- C. Principal Statements
- D. Notes to the Principal Statements

- E. Supporting Consolidating/Combining Statements (if applicable)
- F. Required Supplementary Stewardship Information
- G. Required Supplementary Information
- H. Other Accompanying Information
- I. Audit Opinion.

010602. Agency Head Message

This message precedes the MD&A section of the financial statements and is a dated transmittal letter signed by the agency head. Guidance for required information in the Agency Head Message is provided in [Chapter 3](#) of this volume.

010603. Management's Discussion and Analysis (MD&A)

MD&A of the reporting entity is an integral part of the annual financial statements and should be regarded as Required Supplementary Information (RSI). MD&A requirements are stated in [SFFAC No. 3](#) "Management's Discussion and Analysis – Concepts," and [SFFAS No. 15](#) , "Management's Discussion and Analysis - Standards," and [OMB Circular A-136](#). MD&A is an important vehicle for communicating managers' insights about the reporting entity, increasing the understandability and usefulness of the financial statements, and providing understandable and accessible information about the entity and its operations, service levels, successes, and challenges. MD&A also should address significant events, conditions, risks, uncertainties, trends, and contingencies that may affect future operations. Guidance for the preparation of MD&A is provided in [Chapter 3](#) of this volume.

010604. Principal Statements and Notes to the Principal Statements

Principal statements and notes to the principal statements summarize financial information for individual funds and accounts within reporting entities and subentities. The amounts reported on the principal statements are based on specific general ledger account balances. Instructions for the preparation of the principal statements are contained in Chapters 4, 5, 6, and 7 of this volume. Reconciliations and edits used within DoD can be viewed with proper authorization in the [DDRS-AFS](#) by selecting reports from the menu and then accessing reconciliations.

- A. Principal Statements. The principal statements shall include:
 - 1. Balance Sheet (Consolidated)
 - 2. Statement of Net Cost (Consolidated)
 - 3. Statement of Changes in Net Position (Consolidated)

4. Statement of Budgetary Resources (Combined)

B. Notes to the Principal Statements. The notes to the principal statements are an integral part of the financial statements. They include a summary of the accounting principles and methods of applying those principles that management has concluded are the most appropriate for presenting the entity's significant assets, liabilities, equity, revenues, expenses, and budgetary information. The notes also provide further detail of the amounts reported on the statements. When warranted, the notes identify departures from Federal accounting standards or reporting requirements. In cases where individual line items of the financial statements cannot be obtained or a substitution is made from the requirements herein, the deficiencies shall be explained and the reason for noncompliance annotated in the notes. Where data used is known to be incomplete, deemed to be unreliable, or is an estimated (partial or full) amount, the note pertaining to the line(s) where such data is reported in the statement shall contain a reference to such data. The reference shall include the amount and explanation of the circumstances regarding the availability and use of such data. The notes also contain disclosures required by the SFFASs. Instructions for the preparation of the required footnotes are contained in Chapter 10 of this volume.

C. Supporting Consolidating/Combining Statements. The consolidating and combining statements use a multi-column format to present information on the reporting entity's major component. The total column for consolidating and combining statements must equal the amount reported in the consolidated or combined statements. Although publishing the consolidating/combining statements is no longer required by the DoD, it is very important that these statements are reviewed for completeness and consistency with the consolidated statements.

010605. Required Supplementary Stewardship Information (RSSI)

The Federal Accounting Standards Advisory Board eliminated the use of RSSI to report information about weapons systems when it issued [SFFAS No. 23](#), "Eliminating the Category National Defense Property, Plant and Equipment." Additionally, [SFFAS No. 25](#), "Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment," eliminated the use of RSSI for reporting stewardship responsibilities. Classification of other items of information currently designated RSSI may be dealt with in one or more future standards. Specific guidance for reporting RSSI is contained in Chapter 11 of this volume.

010606. Required Supplementary Information (RSI)

Stewardship resources are investments by the Federal Government for the benefit of the nation. The RSI section provides information on resources entrusted to Federal agencies, highlights their long-term benefit nature, and demonstrates accountability over these resources. Selected transactions are reported as RSI in the financial statements. Specific guidance for reporting RSI is contained in Chapter 12 of this volume.

010607. Other Accompanying Information (OAI)

Specific guidance for reporting OAI is contained in [Chapter 3](#) of this volume.

010608. Audit Opinion

A. DoD Reporting Entity Audits. DoDIG shall render an audit opinion on the DoD Agency-wide financial statements and OMB required entities in paragraph 010501. In addition, OIG shall provide an endorsement to the audit opinion for each of the reporting entity financial statements opined on by a contract auditor.

B. Other Defense Organizations (ODO) Audits. DoDIG will not issue separate audit opinions on the financial statements of ODO included in the DoD Agency-wide financial report. The ODO financial statements and records shall be included in the audits performed to support the opinion issued by OIG on the DoD Agency-wide audited financial statements.

Table 1-1. Detailed Outline of DoD Financial Statements

DETAILED OUTLINE OF ANNUAL AUDITED DOD FINANCIAL STATEMENTS			
Section Sequence	Major Components of Financial Statements (Hard copy and files for Internet)	DoD Entity Reports	DoD Agency-Wide
1	Cover	Required	Required
2	Table of Contents	Required	Required
3	Message(s) from the Secretary of the Military Department; Chief, U.S. Army Corps of Engineers; or the Director of a Defense Agency, as applicable, for the reporting entity.	Required	Required
4	Management's Discussion and Analysis	Required	Required
5	Performance Information	Not Required	Not Required
6	Financial Section		
6.1	Signed CFO letter	Required	Required
6.2	Principal Statements		
6.21	Balance Sheet, Consolidated	Required	Required
6.22	Statement of Net Cost, Consolidated	Required	Required
6.23	Statement of Changes in Net Position, Consolidated	Required	Required
6.24	Statement of Budgetary Resources, Combined	Required	Required
6.3	Notes to the Financial Statements	Required	Required
6.4	Required Supplementary Stewardship Information		
6.41	Stewardship Investments		
6.41A	Nonfederal Physical Property	As Applicable	Required
6.41B	Human Capital	As Applicable	Required
6.41C	Research and Development	As Applicable	Required
6.5	Required Supplementary Information		
6.51	Deferred Maintenance and Repairs	As Applicable	Required
6.52	Statement of Disaggregated Budgetary Resources	As Applicable	Required
6.6	Other Accompanying Information (OAI)		
6.61	Management Challenges	Not Required	Required
6.62	Summary of Financial Statement Audit and Management Assurances	Not Required	Required
6.63	Improper Payments Elimination and Recovery Reporting Details	As Applicable	Required
7	Audit Opinion(s)		
7.1	Inspector General, DoD Audit Opinion or Endorsement	Not Applicable	Required
7.2	Audit Opinion of Contract Auditor (e.g., for the Military Retirement Fund)	As Applicable	Not Applicable

VOLUME 6B, CHAPTER 2: “GENERAL INSTRUCTIONS FOR THE FINANCIAL STATEMENTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by *blue font*.

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The previous version dated August 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Multiple	Corrected and added hyperlinks.	Update
020103	Added another group for Treasury Index (TI) 97 Defense appropriation/funds, Medicare-Eligible Retiree Health Care Fund.	Update
020202	Updated interim financial reporting guidance from revised Office of Management and Budget (OMB) A-136. Updated guidance for the Statement of Budgetary Resources (SBR) reconciliation based on the realigned SBR, effective Fiscal Year 2012.	Update
020505	Updated the requirement for variance analysis reports to be prepared for Agency-wide financial statements for material fluctuations.	Update
020510	Updated guidance to allow Components discretion to prepare consolidating or combining financial statements and include as part of their Agency Financial Reports.	Update

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CHAPTER 2

GENERAL INSTRUCTIONS FOR THE FINANCIAL STATEMENTS

0201 RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

020101. Responsibility for Financial Statements

Primary responsibility for the content and submission of the financial statements rests with the head of the reporting entity for which the statements are prepared. The actual preparation of the financial statements is the joint responsibility of the Department of Defense (DoD) accounting activity maintaining the official departmental accounting records and the DoD Component for which those official accounting records are maintained. It is important to recognize that, while the accounting organization is responsible for assembling the principal statements, much of the data needed to prepare the principal statements originates in nonfinancial systems. Entity management is responsible for ensuring that the data originating outside of the official accounting systems is provided to the accounting organization in a timely manner, that it is complete, and that there are adequate internal controls and audit trails to ensure the data is accurate. The officials responsible for the content and submission of financial statements required by Office of Management and Budget (OMB) are identified in Table 2-1.

020102. Responsibility for Preparation of the Financial Statements

The primary responsibility for the financial statements rests with the reporting entity management. Responsibility for preparation of the principal statements and notes, however, is shared with the accounting organization responsible for maintaining the financial records of the reporting entity. Table 2-2 identifies the office that is primarily responsible for preparation of each section of the financial statements. Additional information regarding the responsible accounting activities who prepare the required supporting statements for the subentities and the responsible officials for those statements can be found in the [DoD Audited Financial Statements Reporting and Analysis \(DoD AFSR&A\) Financial Reporting Guidance](#), hereafter referred to as "[DoD AFSR&A Guidance](#)". The responsible official shall ensure that: (1) known business processes/systems that could materially impact the financial statements are communicated; (2) all necessary data that originates in nonfinancial processes and systems (e.g., inventory and property data) is provided; (3) combining statements are reviewed and analyzed; and (4) feedback is provided to the entity's supporting accounting center as required or upon request.

*020103. Responsibility for Other Defense Organization Subentities

Departmental preparation of the DoD Agency-wide audited financial statements requires supporting financial statements be prepared for the remaining DoD organizations not identified in Volume 6B, Chapter 1, section 0105. The organizations covered by this paragraph and Table 2-3 are the activities funded with Treasury Index (TI) 97 Defense appropriation/funds and are aggregated into three groups: (1) Other Defense Organizations (ODO) General Funds (GF), (2)

ODO Working Capital Funds (WCF), and (3) Medicare-Eligible Retiree Health Care Fund (MERHCF).

020104. Reporting of Foreign Military Sales (FMS) Activity

The Defense Security Cooperation Agency (DSCA) administers the FMS programs on behalf of the Executive Office of the President. While FMS activity is primarily reported separately from DoD activity, OMB has approved the following provisions regarding the specific information on the financial activity of FMS programs that is to be included in the DoD financial statements.

A. Revenue and expense amounts pertaining to FMS goods or services provided from the stocks of the DoD Components on a reimbursable basis shall be reported in the financial statements of the applicable selling DoD Component and in the DoD Agency-wide consolidated statements.

B. Principal statements for the following Executive Office of the President accounts are to be prepared by Defense Finance and Accounting Service (DFAS) and reported separately from the DoD Agency-wide financial statements: 11*1081, 11*1082, 11*1084, 11X4116, 11X4121, 11X4122, and 11X4174.

0202 REPORTING SCHEDULES AND QUALITY CONTROL REVIEWS

020201. Annual Financial Statements

Each of the reporting entities shown in Volume 6B, Chapter 1, section 0105 is required to submit audited financial statements no later than 45 days after the end of the fiscal year. A detailed financial statement reporting schedule can be found at the [DoD AFSR&A Guidance](#).

*020202. Interim Financial Reporting

Each of the reporting entities shown in Volume 6B, Chapter 1, section 0105 are required to submit unaudited interim financial statements on a quarterly basis (December 31, March 31, and June 30) no later than 21 business days after the end of the reporting period. In recent fiscal years, DoD participated in a 21 Business Day Pilot Project, which was designed to assist agencies to improve the accuracy and reliability of their financial statements. Quarterly financial statement variance analysis reports are prepared exclusively for Agency-wide financial statements. Reporting entities are no longer required to formally submit quarterly financial statement variance analysis reports. However, reporting entities materially impacting Agency-wide variances for assets, liabilities, costs, revenues, budgetary resources, obligations, and outlays must provide variance explanations, when requested by the DoD Audited Financial Statements Reporting and Analysis. Reporting entities are also required to submit an analysis of any material differences between the current quarter's unaudited Statement of Budgetary Resources (SBR) and the current quarter's Standard Form (SF) 133 (Report on Budget Execution and Budgetary Resources), as compiled from the Federal Agencies' Centralized Trial Balance System II (FACTS II) submission. Reporting entities shall reconcile the two reports; however, OMB only requests explanations for material differences between the SBR and SF 133 for comparable line items related to budgetary

resources, obligations, and outlays. Refer to paragraph 020507 in this chapter for the definition of material. Results from the analysis will be consolidated at the Departmental level and forwarded to the DoD Audited Financial Statements Reporting and Analysis for further consolidation and submission to OMB. A detailed interim financial statement reporting schedule and updates of financial statement requirements can be found at the [DoD AFSR&A Guidance](#).

020203. Quality Control Reviews of Financial Statements and Notes

Each component, along with their supporting accounting center, shall review their financial statements and notes to ensure the completeness of financial information provided by both the accounting activity and the various Component functional organizations.

020204. Key Financial Statements Preparation Due Dates

The development and publication of the financial statements requires coordinated actions by entity management, the supporting accounting organization, and the audit community. Additional information regarding the key financial statement preparation milestones can be found in the financial statement reporting schedule at the [DoD AFSR&A Guidance](#).

0203 MANAGEMENT REPRESENTATION LETTERS

020301. Preparation and Submission

Auditors shall require the responsible senior manager to prepare and submit a management representation letter, for each reporting entity audited, prior to the conclusion of an audit. The management representation letter should be signed by those members of management with overall responsibility for financial and operating matters that the auditor believes are responsible for and knowledgeable about, directly or through others in the organization, the matters covered by the representations. Such members of management generally include the head of the agency, the CFO, and any others deemed responsible for matters presented in the management representation letter. During the audit, the management function makes many representations to the auditor, both oral and written, in response to specific inquiries and through the financial statements. In the management representation letter, the senior responsible manager confirms the representations explicitly or implicitly given to the auditor, indicates and documents the continuing appropriateness of such representations, and reduces the possibility of misunderstanding concerning the matters that are the subject of the representations. Representations by management generally relate to: (1) the financial statements; (2) completeness of the information; (3) recognition, measurement, and disclosure; and (4) subsequent events. Specifically, the management function shall represent that the financial statements do, or do not, present fairly in accordance with federal generally accepted accounting principles.

020302. [Management Representations](#)

Management representations must include all representations that are required by generally accepted auditing standards and [OMB Bulletin Number 07-04](#), “Audit Requirements for Federal Financial Statements,” Section 8. General representations must, however, be modified to be consistent with findings reported by the auditor. In accordance with the [Statement on Auditing Standards \(SAS\) Number 85, “Management Representations”](#) (AU section 333) management’s representations may be limited to matters that are considered either individually or collectively material to the financial statements, provided management and the auditor have reached an understanding on materiality for this purpose. Management representation letters are due to the office performing the entity’s audit by the due date specified in the reporting schedule which can be found at the [DoD AFSR&A Guidance](#).

020303. [Materiality](#)

As required by [SAS Number 89, “Audit Adjustments”](#) (AU sec. 333.06 and 333.16), the management letter should include a representation regarding the materiality of unrecorded financial statement adjustments aggregated by the auditors. A list of any uncorrected misstatements, including those audit adjustments waived by the component-level, should be attached to the management representation letter.

020304. [Representation of Budgetary Data](#)

Management is required to include a representation that addresses the consistency of budgetary data reported on the [SBR](#) and the budgetary data submitted through FACTS II to prepare the year-end SF 133s. Management may consider using the following sample representation: “The information presented on the Department’s Statement of Budgetary Resources agrees with the information submitted on the Department’s year-end Reports on Budget Execution and Budgetary Resources (SF 133s). This information will be used as input for the fiscal year (FY) 20xx actual column of the Program and Financing Schedules reported in the FY 20xx Budget of the U.S. Government. Such information is supported by the related financial records and related data.”

020305. [Signature Levels of Representation Letters](#)

Signature levels for management representation letters are indicated, [as follows](#):

A. The Secretary or Under Secretary of the Military Department concerned shall sign a management representation letter in support of the audited financial statements for a Military Department’s GF and WCF.

B. The Director or Deputy Director of the Defense Agency concerned shall sign a management representation letter in support of the audited financial statements for a Defense Agency.

C. The fund manager of the trust or revolving fund concerned shall sign a management representation letter in support of financial statements for a trust or revolving fund managed by the Office of the Secretary of Defense or Defense Agency.

D. The head of the component for other reporting entities not described in 020305.A through 020305.D, but listed in Volume 6B, Chapter 1, section [0105](#), shall, [if applicable](#), sign a management representation letter in support of their audited financial statements.

E. The Under Secretary of Defense (Comptroller) (USD(C)) shall sign a management representation letter for the DoD Agency-wide financial statements.

020306. [Referrals to Office of the Deputy Chief Financial Officer](#)

Auditor requests for management representation letters below levels cited in paragraph 020305 should be referred to the USD(C), Office of the Deputy Chief Financial Officer (ODCFO).

020307. [Date of Management Representation Letter](#)

Generally, the date of a management representation letter shall be the date the auditor issues the audit report on the entity's financial statements. Coordinating the two dates is essential. The due dates for the management representation letters are specified in the financial statement reporting schedule [at the DoD AFSR&A Guidance](#). Management shall not provide auditors with pre-signed, undated letters or with predated letters. If auditors need an advance copy of the intended management letter, then auditors will include that requirement when submitting the initial request for the management representation letter. Active cooperation and interaction between auditors and management is expected so that the management representation letter reaches the auditors on the due date.

0204 LEGAL REPRESENTATION LETTERS

020401. [Inquiries of Legal Counsel](#)

[According to SAS Number 12](#), "Inquiry of a Client's Lawyer Concerning Litigation, Claims, and Assessments" (AU [section 337](#)), the auditor will request entity management to send a letter of inquiry to those lawyers with whom management consulted concerning litigation, claims, and assessments. ([Refer to the General Accountability Office/President's Council on Integrity and Efficiency Financial Audit Manual \(GAO/PCIE FAM\)](#) Section 1002B, Example Legal Letter Request, and subsequent revisions, for an illustrative letter of inquiry from entity management to legal counsel.) Management should document in a schedule how the information contained in the legal counsel's response(s) was considered in preparing the financial statements. In accordance with [OMB A-136](#), Section V, legal representation letters and management's schedules are required for the audits of entity financial statements and the special-purpose financial statements used to compile the Financial Report of the United States (U.S.) Government.

020402. [Obtain Legal Representations](#)

Upon receipt of the audit agency request, it is the responsibility of the senior financial management official of the entity being audited to request interim or final legal representation letters from the General Counsel of the Military Department or DoD Component that is being audited. Judge Advocates General shall not be requested to furnish legal representation letters, rather the legal representation letters requested from the General Counsel of the Military Departments shall include the request that the General Counsel report matters involving both military and civilian counsel. Requests for a legal representation letter pertaining to the Agency-wide financial statements and to any defense-wide account audited separately, such as the Military Retirement Fund, shall be sent to the General Counsel, Department of Defense (GC, DoD). Copies of any letters prepared by the General Counsel of the Military Departments and DoD Components shall be provided to the GC, DoD, Attention: Deputy General Counsel (Fiscal) (DGC(F)) and to the Inspector General (IG), DoD or other independent auditors performing the audit. In letters provided to the GC, DoD shall report only cases at or above the materiality threshold established for that year's Agency-wide financial statement audit. Each year, the ODGC(F) shall advise the counsel of the Military Departments and the Defense Agencies preparing legal representation letters of the mandatory times for submission of the legal representation letters, which are specified in the financial statement reporting schedule [located at the *DoD AFSR&A Guidance*](#), and the applicable Agency-wide materiality threshold for that year's Agency-wide financial statement.

020403. [Preparation of Legal Representation Letters](#)

When preparing the legal representation letters, the General Counsel should reference the guidance found in [OMB Bulletin Number 07-04](#), Section 9, [as amended](#). Report cases and claims using the legal representation format found [on the Department of Justice website, *USDOJ* \(Civil Division Documents and Forms\)](#). In addition to reporting the status of pending contingent liabilities, the interim legal representation letters should also include the cases reported in the previous year's legal representations that are no longer pending. The final representation letter should be limited to new information (i.e., cases that arise subsequent to the interim letter or changes in the status of cases that were reported in the interim letter). The final letter should not repeat information from the interim letter that has not changed. Any subsequent changes in cases that arise after the final representation letter, but before the end of the audit fieldwork on the financial statements must be communicated to the auditor. The required summaries of the legal letters [will](#) be submitted to the cognizant audit agency for the reporting entity, to the entity's supporting accounting [activity](#), and to the ODCFO.

020404. [Determination of Legal Cases](#)

The official responsible for a reporting entity's financial statements (Table 2-1) or that official's designee shall prepare, and submit to the auditors for their review, the management schedule showing how the information contained in the legal counsel's response was considered in preparing the financial statements. The required format and instructions are provided in Section 1002C of the [GAO/PCIE FAM](#). The schedule should be consistent with information presented in the legal representation letters and the notes to the financial statements. An

assessment as to whether pending, threatened litigation or unasserted claims should be reported or disclosed in the financial statements must be made by management. This determination extends to cases in which legal counsel has classified the likelihood of loss as “unknown.” The name and telephone number of the individual who is able to answer questions regarding the presentation of legal claims and assessments in the financial statements should also be provided. The required summaries of the legal letters shall be submitted to the cognizant audit agency for the reporting entity, the entity’s supporting accounting [activity](#), and the ODCFO. The DoD due dates for the interim and updated legal letters and the associated summaries are reflected in the financial statement reporting schedule [located at the DoD AFSR&A Guidance](#).

020405. [Summary of Legal Representation Letters](#)

Rather than having the cognizant auditors submit copies of the interim and updated legal representation letters, along with the summaries of the information contained in these responses for each reporting entity, the GAO has agreed to use the single summary of the various legal representation letters prepared for submission with the Agency-wide statements. The IG, DoD and ODCFO shall make the required submission to the OMB, the Department of the Treasury, the Department of Justice, and the GAO per the due dates in the financial statement reporting schedule [located at the DoD AFSR&A Guidance](#).

0205 GENERAL PREPARATION INSTRUCTIONS

020501. [Generally Accepted Accounting Principles](#)

The principal statements and notes embody the generally accepted accounting principles contained in the [Statements of Federal Financial Accounting Standards](#) (SFFASs) and [Statements of Federal Financial Accounting Concepts](#) (SFFACs). The SFFASs and SFFACs have been incorporated into the accounting policy and guidance contained in this Regulation. Preparers of financial statements seeking detailed guidance on matters involving the recognition requirements for transactions and information covered by the SFFASs should refer to this volume. If sufficient guidance is not found in this volume, then preparers shall follow the generally accepted accounting principles hierarchy contained in Volume 1, Chapter 2.

020502. [United States Standard General Ledger](#)

[Direct](#) preparers of financial statements and notes shall crosswalk their unique general ledger accounts to the [United States Standard General Ledger \(USSGL\)](#) chart of accounts and at a lower level of detail to include Treasury Department’s Financial Management Service, FACTS attributes, [Standard Financial Information Structure \(SFIS\) elements](#), the Department’s trading partner information, and other DoD required attributes to prepare statements and note schedules. The USSGL, with FACTS attributes and other DoD required attributes, shall be used to populate the Defense Departmental Reporting System – Audited Financial Statement (DDRS-AFS) System which will populate financial statements and note schedules. Additional information regarding the import sheets and DDRS-AFS can be found in the quarterly guidance at the [DoD AFSR&A Guidance](#).

020503. Quarterly Interim and Fiscal Year-end Financial Statements

The DoD components/reporting entities shall prepare statements for quarterly interim and fiscal year-end comparative Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources. Supporting financial statement note schedules must have total figures that agree with the amounts presented in the body of the financial statements. The chosen rounding level must be maintained consistently throughout the principal statements and notes in accordance with paragraph 020511. In addition, rounded totals must agree between the principal statements as applicable (e.g., ending balances from the Statement of Changes in Net Position equal the Total Net Position line on the Balance Sheet). Individual line items must sum to the totals. (This may require adjusting the individual detail line items for differences created by the rounding process rather than adjusting column totals).

020504. Comparative Data

Comparative financial statements are required. Data presented in the fiscal year end prior year column must be identical with the amounts reported on the financial statements of the prior year. Information for the current and preceding years should be presented regardless of the type of audit opinion rendered by the auditor. The notes should contain the information that is necessary for full disclosure of the current year.

*020505. Variance Analysis/Fluctuations

A comprehensive financial statement variance analysis report is prepared each quarter solely for the Agency-wide financial statements for material fluctuations between comparative periods on report lines of the Balance Sheet, the Statement of Net Cost and selected lines of the Statement of Changes in Net Position, the Statement of Budgetary Resources and supporting note schedules. Only components materially contributing to the Agency-wide variances will be required to explain significant variances when requested by the DoD AFSR&A. A significant variance is a fluctuation from the same quarter in the prior year to the current year which is greater than or equal to 10 percent of the change of individual lines, or 2 percent of total assets and where the fluctuation amount is greater than the applicable threshold. The detailed explanations for the significant variances should provide concise answers to the following questions pertaining to the comparative periods:

- A. What is the dollar amount of the fluctuation?
- B. Who caused the fluctuation?
- C. What business event caused the fluctuation?
- D. Why did the fluctuation happen?
- E. When, during the last four quarters, did the primary business event occur causing the fluctuation? Responding to this question helps identify which disclosures are likely to be in effect for the current fiscal year end.

020506. [Statement Consolidation](#)

User judgment shall be exercised to determine if it is appropriate to exclude from the final published statements some statement line items, notes, and lines or columns in notes that do not apply to the reporting entity. In order to ensure consistent and accurate aggregation of amounts from suborganizations, however, such lines may not be excluded prior to the submission of the final published version. Due to the short timeframes available for statement consolidation at the agency level, preparers are not authorized to combine lines for which the referenced account balances are immaterial.

020507. [Disclose Material Balances](#)

Do not designate in the notes as “other” any discrete balances of a material amount. Material balances shall be separately disclosed and designated by name. Material is defined for this purpose as any component of a line item that represents 10 percent or more of the value of the line in the principal statements.

020508. [Notes to the Financial Statements](#)

The note numbering sequence contained in Volume 6B, Chapter 10, shall be maintained in all working versions of the notes in order to ensure consistent and accurate aggregation to the DoD agency level. For notes that are not applicable to the reporting entity, indicate the note is not applicable after the note number and title. If additional notes are necessary to provide required disclosures, then number them sequentially as explained in Volume 6B, Chapter 10.

020509. [Consistency in Reporting](#)

The accounting policies and procedures shall be applied consistently throughout the financial statements. Ensure the amounts reported throughout the financial statements, notes, supplemental information, and the Management Discussion and Analysis section are consistently reported. Also ensure that schedules presented in the notes, in support of amounts presented on financial statements, have total figures that agree with the amounts presented in the financial statements. Financial information reported in multiple notes or other sections shall be reported in a consistent manner. To the extent that information is not available for the accelerated reports, a reliable, alternative method of estimating amounts and balances shall be developed and adequately disclosed.

*020510. [Consolidated or Combined Statements](#)

The Balance Sheet, Statement of Net Cost and the Statement of Changes in Net Position principal statements must be prepared as consolidated statements, net of intra-entity transactions. The [SBR](#) must be prepared as a combined statement. [Components have the discretion to prepare consolidating or combining financial statements and include as part of their Agency Financial Report.](#)

020511. [Rounding](#)

The DoD Agency-wide final published financial statements and notes must display dollars rounded to millions with one decimal point. All Component statements must display dollar amounts rounded to the nearest whole thousand on the final published principal statements and in the tables/schedules contained in the notes to the principal statements. Dollar amounts in note narratives shall be reported with a maximum of three position integers and a single decimal value followed by an identifier, such as millions or billions (e.g., \$324.1 million; not \$324,100 thousand). To improve communication among preparers, reviewers and auditors during the preparation process and to avoid excessive workload associated with the resolution of rounding errors, all accounting activities shall report amounts as dollars and cents on all draft/working versions of the principal statements and note schedules prior to submission by the reporting entity of the final audited financial statements.

020512. [Additional Information](#)

Reporting entities that choose to present additional financial statements or information shall include these in the Other Accompanying Information section (see Volume 6B, Chapter 3.)

020513. [Organization of the Financial Statements](#)

The financial statements of the reporting entities shall be organized as outlined in Volume 6B, Chapter 1, Table 1-1.

020514. [Requirements for Audited Financial Statements](#)

Reporting entity managers are responsible for the preparation and printing of the final complete annual audited version of their financial statements. These specific requirements are outlined on the [DoD AFSR&A Guidance](#).

020515. [Posting the Financial Statements](#)

The Department's financial statements will be posted [on the Office of Under Secretary of Defense \(Comptroller\) \(OUSD\(C\)\) website](#). Reporting entity managers will provide the ODCFO with [electronic copies](#) of their financial statements for posting to the DoD Internet website by the due date specified in the financial statement reporting schedule. The files will be prepared in the [Portable Document File \(PDF\)](#) type. If the reporting entity includes a large number of digital images, then the PDF can be very slow for users to access on the website. In those cases it is beneficial, and encouraged, to prepare separate files for each section of the financial report.

020516. [Responsibility for Sections of the DoD Agency-wide Financial Statements](#)

DFAS, [Office of Under Secretary of Defense \(Acquisition, Technology, and Logistics\) \(OUSD\(AT&L\)\)](#) and OUSD(C) have responsibility for various sections of the DoD Agency-wide financial statements and for providing information to the Department of the Treasury,

Financial Management Service (Treasury FMS) for inclusion in the Financial Report of the U.S. Government.

A. DFAS is responsible for preparing the draft/working versions and final version of the principal statements, the notes to the principal statements, the Required Supplementary Information (RSI) section (except for the deferred maintenance information), and the Other Accompanying Information section of the DoD Agency-wide financial statements. In addition, DFAS shall ensure that the FACTS I adjusted trial balances are transmitted to the Treasury FMS. DFAS will input the required information into the Government-wide Financial Reporting System (GFRS) for use in the Financial Report of the U.S. Government. Refer to “FACTS I Reporting and Verification,” Volume 6A, Chapter 6 for guidance on FACTS I and GFRS reporting.

B. OUSD(AT&L) is responsible for compiling the complete Required Supplementary Stewardship Information (RSSI) section and the deferred maintenance information for the RSI section of the Department’s Agency-wide financial statements. OUSD(AT&L) shall provide this information, electronically, to DFAS for inclusion in the working versions and final version of the DoD Agency-wide financial report per the due dates in the financial statement reporting schedule. In addition, OUSD(AT&L) shall provide the RSSI and RSI deferred maintenance information to DFAS for inclusion in GFRS.

C. OUSD(C) is responsible for preparing the Management Discussion and Analysis section of the Agency-wide financial statements. OUSD(C) is responsible for the submission of the DoD Agency-wide financial statements to OMB and the Congress.

Table 2-1 Officials Responsible for OMB Required Financial Statements

OFFICIALS RESPONSIBLE FOR THE FINANCIAL STATEMENTS	
Reporting Entities	Responsible DoD Official
Department of Defense Agency-wide	Chief Financial Officer (CFO), DoD
Department of the Army General Fund (GF)	The Secretary of the Army
Department of the Navy GF	The Secretary of the Navy
Department of the Air Force GF	The Secretary of the Air Force
Army Working Capital Fund (WCF)	The Secretary of the Army
Navy WCF	The Secretary of the Navy
Air Force WCF	The Secretary of the Air Force
Department of Defense Military Retirement Fund	Under Secretary of Defense (Personnel and Readiness)
U.S. Army Corps of Engineers (USACE) Civil Works	The Secretary of the Army

Table 2-2 Official Responsible for Sections of the Financial Statements

OFFICIAL RESPONSIBLE FOR SECTIONS OF THE FINANCIAL STATEMENTS			
Responsibility for Preparation and Submission of Audited Financial Statements	CFO DoD	DFAS/USACE Accounting Activity	Reporting Entity Management
Management Discussion and Analysis of the Reporting Entity			X
Principal Statements			
Balance Sheet		X	
Statement of Net Cost		X	
Statement of Changes in Net Position		X	
Statement of Budgetary Resources		X	
Notes to the Principal Statements			
Note 1 to the Principal Statements		X	
Remaining Notes to the Principal Statements			X¹
Required Supplementary Stewardship Information (RSSI)			X²
Required Supplementary Information (RSI):			
Statement of Disaggregated Budgetary Resources		X	
Deferred Maintenance			X²
Other Accompanying Information:			
Other Supporting Statements		X	
Management Challenges	X		
Improper Payment Information Act Reporting Details	X	X	X
Submission of entity-level complete unaudited financial statements concurrently to the Inspector General (IG), DoD for audit and to the Office of the Deputy Chief Financial Officer (ODCFO)			X
Submission of the Agency-wide complete unaudited financial statements to the IG, DoD for audit	X		
Submission of financial statements reports to the Office of Management and Budget (OMB) and the Congress	X		

NOTES:

1. Primary responsibility rests with the reporting entity. However, the Defense Finance and Accounting Service (DFAS) and the USACE Finance Center (FC) primarily prepare accounting type schedules in the notes and the reporting entity is primarily responsible for preparation of the narrative explanation statements to the notes. When comparative statements are required, the reporting entity shall explain in the notes significant year-to-year changes in amounts reported on lines of the Principal Statements.
2. The Under Secretary of Defense for Acquisition, Technology and Logistics (USD (AT&L)) has responsibility for the RSSI reporting requirements, review of reported RSSI in DoD Component statements, and consolidation of the RSSI section for the DoD Agency-wide financial statement. In addition, USD (AT&L) has responsibility for reporting Deferred Maintenance in the RSI section of the Agency-wide report.

Table 2-3 Office of the Secretary of Defense Principal Staff Assistants and Other Defense Organizations Subentities

OFFICIAL RESPONSIBLE FOR SECTIONS OF THE FINANCIAL STATEMENTS		
Responsible Official	Other Defense Organizations Subentities	Fund Type
Under Secretary of Defense for Acquisition, Technology and Logistics	Missile Defense Agency	GF
	Defense Advanced Research Projects Agency	GF
	Defense Acquisition University	GF
	Defense Logistics Agency	GF and WCF
	Defense Threat Reduction Agency	GF
	Chemical and Biological Defense	GF
	Defense Contract Management Agency	GF
	Federal Energy Management Program	GF
	Joint Logistics Systems Command	GF and WCF
	National Defense Stockpile Transaction Fund Office of Economic Adjustment	GF
Under Secretary of Defense (Personnel and Readiness)	Defense Commissary Agency	GF and WCF
	Defense Health Program	GF
	Defense Medical Program Activity	GF
	DoD Education Activity	GF
	DoD Education Benefits Fund	GF
	Tricare Management Activity	GF
	Service Medical Activity	GF
	Voluntary Separation Incentive Trust Fund	GF
	DoD Human Resources Activity	GF
	Defense Technology and Security Agency	GF
	Ready Reserve Mobilization Income Insurance Fund	GF (a revolving fund)
Under Secretary of Defense (Comptroller) (USD(C))	Defense Contract Audit Agency	GF
	Defense Finance and Accounting Service	GF and WCF
	Military Housing Privation Initiative	GF
	DoD Component Level Accounts	GF
	Management Systems Support Office	WCF
Under Secretary of Defense (Policy)	Defense Security Cooperation Agency	GF
	Host Nation Support for U.S. Relocation Activities, Defense	GF
	Defense Prisoner of War/Missing Persons Office	GF

Table 2-3 Office of the Secretary of Defense Principal Staff Assistants and Other Defense Organizations Subentities (Continued)

Responsible Official	Other Defense Organizations Subentities	Fund Type
Under Secretary of Defense (Intelligence)	Defense Information Systems Agency	GF and WCF
	Defense Intelligence Agency	GF
	Corporate Information Management	WCF
	Defense Security Service	GF
	National Security Agency	GF
	National Geospatial Intelligence Agency	GF
	National Reconnaissance Office	GF
Inspector General, Department of Defense	Office of the Inspector General (OIG), DoD	GF
Director, Joint Staff	Joint Chiefs of Staff	GF
Commander, U.S. Special Operations Command	U.S. Special Operations Command	GF
Commandant, U.S. Marine Corps	U.S. Marine Corps	GF and WCF
Director, Washington Headquarters Service (WHS)	Court of Appeals of the Armed Forces	GF
	American Forces Information Service	GF
	Office of the Secretary of Defense (OSD)	GF
	Pentagon Reservation Maintenance Revolving Fund	GF
	Washington Headquarters Service	GF
	Building Maintenance Fund, Defense	GF
	Other “97” Funds Provided to WHS by OSD	GF
	All Other (Prior Year Residual) “97” Funds	GF
	Defense Legal Services Agency	GF
	Civil Military Program	GF
Assistant Secretary of the Army (Financial Management and Comptroller) (FM&C)	Emergency Response Fund, Defense	GF
	Homeowners Assistance Fund, Defense	GF
	National Security Education Trust Fund	GF
	Other “97” Funds Provided to the Army by OSD	GF
Assistant Secretary of the Navy (FM&C)	Other “97” Funds Provided to the Navy by OSD	GF
Assistant Secretary of the Air Force (FM&C)	Other “97” Funds Provided to the Air Force by OSD	GF

VOLUME 6B, CHAPTER 3: “AGENCY HEAD MESSAGE, MANAGEMENT’S DISCUSSION AND ANALYSIS, PERFORMANCE SECTION, AND OTHER ACCOMPANYING INFORMATION”

SUMMARY OF MAJOR CHANGES

All changes are denoted by **blue font**.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated May 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Multiple	Reformatted chapter for clarity and to correct formatting errors. Corrected and added hyperlinks.	Update
0301	Added a new section to provide a purpose and clarify the requirements for Office of Management and Budget (OMB) reporting entities and re-numbered the other sections.	Add
030301	Added clarification to the Management’s Discussion and Analysis (MD&A) Section of the financial statements.	Update
030305	Added a requirement to include a brief overview or executive summary explaining the MD&A.	Add
030306.F	Added a new requirement to include a discussion and analysis of matters that could lead to significant actions or affect the judgment of stakeholders about the effectiveness of the entity.	Add
030307	Added another item to be highlighted in the MD&A overall strategy and performance results which includes an explanation of significant variances, significant issues relating to financial management, and overall financial condition.	Add
030308	Added suggestions for items to include in the MD&A.	Add
030309.B	Added an additional requirement to include the financial management systems strategy and how it will achieve the goals of improving financial and budget management agency-wide.	Add

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
030310	Added additional information to be included in the Agency Financial Report (AFR) that presents an overview of the agency's current and future financial management systems framework and describes financial management systems critical to effective agency-wide financial management.	Add
0304	Updated the reports that the Department of Defense (DoD) produces.	Update
0305	Added a new section to include the requirements for the Financial Section of the AFR and re-numbered.	Add
030601	Provided additional guidance for audit responsibilities as established in OMB Memorandum M-09-33.	Add

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CHAPTER 3

**AGENCY HEAD MESSAGE, MANAGEMENT'S DISCUSSION AND ANALYSIS,
PERFORMANCE SECTION, AND OTHER ACCOMPANYING INFORMATION*****0301 PURPOSE**

The Agency Head Message, Management's Discussion and Analysis (MD&A), the Performance Section, and Other Accompanying Information (OAI) are components of the Agency Financial Report (AFR) applicable to Office of Management and Budget (OMB) reporting entities listed in subparagraph 010501 of Volume 6B, Chapter 1, are consistent with the requirements of 31 United States Code, section 3515 (d). Within the guidance of OMB Circular A-11 and OMB Circular A-136, the Department of Defense (DoD) prepares and submits the AFR, a separate Annual Performance Report (APR), and a Summary of Performance and Financial Information (SPFI). DoD reporting entities are required to prepare the AFR according to the policies prescribed by OMB Circular A-136 as implemented in this volume. These formats and instructions provide a framework within which individual agencies have flexibility to provide information useful to the Congress, agency managers, and the public. Subcomponents are not required to prepare an APR or SPFI. Within the AFR framework, subcomponents are not required to prepare OAI, but may choose to do so using the format specified in this chapter.

0302 AGENCY HEAD MESSAGE

A dated transmittal letter signed by the agency head **should** be located at the beginning of the **report**. It **must** include a brief message from the agency head highlighting:

- A. The **agency's** mission, goals, and accomplishments upholding the mission;
- B. An assessment of whether financial **and performance** data in the report is reliable and complete, **identifying** material internal control weaknesses **and** corrective actions **the agency is taking** to resolve them (the letter may reference a more detailed discussion of this topic elsewhere in the report); **and**
- C. An acknowledgement that the **agency** is using an alternative to the Performance and Accountability Report (PAR). **DoD prepares the AFR, APR and SPFI.**

0303 MANAGEMENT'S DISCUSSION AND ANALYSIS***030301. General**

A section entitled **MD&A** should follow the Agency **Head** Message. The MD&A should provide a clear and concise description of the reporting entity's performance measures, financial statements, systems and controls, compliance with laws and regulations, and actions taken or planned to address **problems**. To be useful, the MD&A **must** be **concise**, easy to read **to a non-technical audience**, and **use** visual references to present summary information. The MD&A should focus on the most important matters and provide a balanced analytical assessment of **key**

program and financial performance that includes both positive and negative information. The MD&A should provide management's view of actual current performance and financial results, as well as expectations about the future. It should be grounded in facts and provide meaningful explanatory data to support an accurate assessment of agency performance by the audience. The MD&A should present a balanced discussion of negative as well as positive results, and it should relate financial results, especially costs, to performance and strategic goals.

030302. Highlights

The MD&A should include select highlights of key performance goals and results (shortfalls and successes) for the applicable year related to strategic goals. The agency should also provide a high-level discussion of selected key performance measures associated with the agency's goals. The high-level discussion need not provide a thorough detailed analysis and summary of performance results for the year, as this information will be provided in the APR to be issued in conjunction with the President's Budget. It should clearly delineate the details on when and where the APR and the SPFI will be available to the public.

030303. Purpose

The MD&A should serve as a brief overview of the entire annual financial report. Conformance to generally accepted accounting principles (GAAP) for federal entities requires the inclusion of the MD&A in the financial statements and related information. The MD&A should inform the reader, at a high level, on progress toward accomplishing the entity's mission and associated strategic goals. The discussion should deal with the most important matters that would likely affect the judgments and decisions of people who rely on the AFR as a key source of information. It should address most important matters that could:

- A. Lead to significant actions or proposals by senior management;
- B. Be significant to the managing, budgeting, and oversight functions of Congress and the Administration; or
- C. Significantly affect the judgment of stakeholders about the efficiency and effectiveness of the entity.

030304. Responsibility

Management is responsible for the content of the MD&A. Its preparation should be a joint effort of both the financial management office and program offices. Management has considerable discretion in preparing and presenting the MD&A, subject to the inclusion of the required components and the pervasive requirement that the MD&A not be misleading. The MD&A provides management with a vehicle for communicating insights about the entity, increasing the understandability of financial information, and providing information about the entity, its operations, service levels, successes, challenges, and the future. The preparer must develop and retain adequate documentation supporting the financial, statistical, and other information presented in the MD&A section.

*030305. Scope

The MD&A is an integral part of the AFR and should be regarded as Required Supplementary Information (RSI). The following summarizes the requirements as stated in Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 15, and Statement of Federal Financial Accounting Concepts (SFFAC) No. 3. Pursuant to SFFAS No. 15, the MD&A may reference information in other discrete sections of the financial statement or it may be based on information contained in reports separate from the financial statement. In addition, MD&A will include a brief overview or executive summary explaining the MD&A. An overview section gives the reader a useful summary of what is to come. Some agencies include an overview or executive summary in the “mission and organizational structure” section of the MD&A. At a minimum, the MD&A should address the entity’s:

- A. Mission and organizational structure;
- B. Performance goals, objectives, and results;
- C. Financial statements;
- D. Systems, controls, and legal compliance; and
- E. Forward-looking information about the possible effects of the most important existing performance and financial demands, events, conditions, and trends. Management should discuss important problems that need to be addressed and actions that have been planned or taken to address such problems. The actions that are needed, planned, and taken may be discussed within the sections listed in this paragraph or in a separate section of the MD&A.

030306. Mission and Organizational Structure

The MD&A should contain a brief description of the mission(s) of the entity and describe its related organizational structure, consistent with the entity's strategic plan. This section should:

- A. Name the reporting entity in a clear manner that leaves no doubt as to whether the reporting entity is an entire organization or an activity or group of activities within an organization. Identify the commercial functions and the revolving, trust, and other fund accounts covered by the financial statements.
- B. State the mission and major goals of the reporting entity, including reference to the entity’s legislative mandate, if appropriate.
- C. Identify the type and provide information on the numbers of individuals and/or groups served by or benefiting from the entity’s major program(s).

D. Provide indicators of the size of the major program(s) (e.g., dollars expended, population served, and the numbers of military and civilian personnel employed in carrying out the major program(s)).

E. Describe the manner in which the reporting entity is organized to provide the major program(s), including information related to the geographic locations of the organization (e.g., numbers of local, district, state, and regional offices).

* F. Include a discussion and analysis of those matters that the entity's management believes could lead to significant actions or proposals by senior management or significantly affect the judgment of stakeholders about the effectiveness of the entity.

*030307. Overall Strategy and Performance Results

The MD&A should highlight the “most important” performance goals and results (positive and negative) for the applicable year related to and consistent with goals and objectives in the entity's strategic and performance plans, including performance trend data. This applies to goals being evaluated by quantitative and descriptive criteria. For agencies producing an AFR and APR, the agency should provide a high-level discussion of key performance measures and goals. The high level discussion of performance information should include the most important performance matters that would likely affect the judgments and decisions of people who rely on the AFR as a key source of information. The MD&A should include a discussion and analysis of those matters that the entity's management believes could: 1) lead to significant actions or proposals by senior management; or 2) significantly affect the judgment of stakeholders about the effectiveness of the entity.

*030308. Analysis of the Financial Statements and Stewardship Information

The MD&A should help users understand the entity's financial results, position, and condition conveyed in the principal financial statements. The MD&A should include comparisons of the current year to the prior year and should provide an analysis of the agency's overall financial position and results of operations to assist users in assessing whether the financial position has improved or deteriorated as a result of the year's activities. This section should also include a discussion of key financial related measures emphasizing financial trends and assessing financial operations. Additionally, it should give users the benefit of management's understanding of the following:

A. Major changes in types or amounts of assets, liabilities, costs, revenues, obligations, and outlays (explaining the underlying causes of the changes);

B. Relevance of particular balances and amounts shown in the principal financial statements, particularly if relevant to important financial management issues;

C. Entity's stewardship information; and

D. In addition, the following items may be useful to include in the financial statement analysis:

1. Explanations for variances exceeding 10 percent and are material to the agency;
2. Significant issues qualitative in nature and relating to financial management; and
3. Overall financial condition and financial management issues occurring since the previous reporting period that impact the agency's current financial status.

030309. Analysis of Systems, Controls and Legal Compliance

A. Agencies are required to provide assurances to the status and effectiveness of the internal controls and financial management systems that support the preparation of the financial statements. Management should provide its assurances related to the Federal Managers Financial Integrity Act of 1982 ([FMFIA](#)), and its compliance determination required by the Federal Financial Management Improvement Act of 1996 ([FFMIA](#)) in a separate section entitled "Management Assurances." The FMFIA assurance statement should:

1. Provide management's assessment of the effectiveness of the organization's internal controls to support effective and efficient programmatic operations; reliable financial reporting, and compliance with applicable laws and regulations; and whether the financial management systems conform to relevant financial systems requirements.
2. Provide a separate assessment of the effectiveness of the internal controls over financial reporting as a subset of the overall FMFIA assurance statement.
3. Include a summary of material weaknesses and non-conformances, and a summary of corrective actions to resolve the material weaknesses and non-conformances. Illustrative assurance statements and further guidance on corrective action plans can be found in the Chief Financial Officer (CFO) Council's document entitled, [Implementation Guide for the OMB Circular A-123](#), "Management's Responsibility for Internal Control", Appendix A.

* B. Management should include its FFMIA compliance assessment in this section. Management is required to provide its assessment of the organization's financial management systems compliance with the federal financial management systems requirements, standards promulgated by FASAB, and the United States (U.S.) [Standard General Ledger](#) at the transaction level. Financial management systems include both financial and financially-related (or mixed) systems. Further guidance on the financial systems requirement can be found in [OMB Circular A-127](#), "Financial Management Systems". [OMB Circular A-11](#), Part 2, Section 52, Information on Financial Management, outlines requirements for an agency's plans for bringing its systems into substantial compliance. The AFR will include a summary which should be derived from an agency's detailed plan as discussed in OMB Circular A-11, Section 52.4. Briefly discuss the agency's financial management systems strategy and how it will achieve the goals of improving financial and budget management agency-wide. Include

information on the status of financial management activities and systems to provide a context for the agency's plans and resources request.

C. Management should also review its FMFIA assurance statements and its FFMIA compliance determination for consistency with the findings specified in the annual financial statement audit report(s). The Office of Inspector General or auditor will compare material weaknesses disclosed during the audit with those material weaknesses reported in the agency's FMFIA report and document any material weaknesses disclosed by audit that were not reported in the agency's assurance statements. The audit responsibilities are established in OMB Memorandum M-09-33, "Technical Amendments to OMB Bulletin No. 07-04, Audit Requirements for Federal Financial Statements", September 23, 2009, Section 6. The reports may be different, but they should not be in direct conflict. When conflicting discrepancies exist, it is management's responsibility to ensure that outstanding issues are reported appropriately.

*030310. Other Management Information, Initiatives, and Issues

Management has the discretion to include a summary in the MD&A of other information, initiatives, and issues it identifies. This could include summarizing entity progress in implementing key management initiatives and financial management systems framework. The AFR should present an overview of the agency's current and future financial management systems framework and describe financial management systems critical to effective agency-wide financial management, financial reporting, or financial control. The AFR should include in the overview a synopsis of critical projects currently underway or planned to achieve the target framework per OMB Memorandum, M-10-26, "Immediate Review of Financial Systems IT Projects" and OMB Circular A-127. Identify FFMIA remediation activities that are planned and underway, describing target dates and offices responsible for bringing systems into substantial compliance with FFMIA.

030311. Limitations of the Financial Statements

The MD&A should include a section articulating the limitations of the principal financial statements. This section should state the following:

A. The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 USC 3515 (b).

B. While the statements have been prepared from the books and records of the entity in accordance with GAAP for federal entities and the formats prescribed by OMB Circular A-136, the statements are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records.

C. The statements should be read with the realization that they are for a Component of the U.S. Government, a sovereign entity.

* 0304 PERFORMANCE SECTION

DoD has chosen to produce an AFR and APR. The APR is included with the Congressional Budget Justification. Guidance can be found in [OMB Circular A-136](#), Section II.3.

* 0305 FINANCIAL SECTION

This section of the AFR should contain the CFO Letter, Auditor's Report, and Financial Statements. The guidance for the Financial Statements and Notes is in Volume 6B, Chapters 4 through 10.

0306 OTHER ACCOMPANYING INFORMATION (OAI)

This section of the AFR follows the RSI section of the statements and should contain the following, when appropriate and applicable:

*030601. Management Challenges

[OMB Circular A-136](#) Revised, October 27, 2011 states that the PAR or AFR will include a statement prepared by the agency's Inspector General (IG) summarizing what the IG considers the most serious management and performance challenges facing the agency and briefly assesses the agency's progress in addressing those challenges. This statement must be provided to the agency head at least 30 days before the AFR due date. These audit responsibilities are established in [OMB Memorandum M-09-33](#), Section 12, Inspector General Oversight, paragraph 12.1. Comments by the agency head may be appended to the IG's statement. The agency head may comment on, but not modify the IG statement. Additional guidance can be found in the OMB Circular A-136, OAI.

030602. Summary of Financial Statement Audit and Management Assurances

Components are required to prepare a Summary of Financial Statement Audit and Summary of Management Assurances. [OMB Circular A-136](#) requires agencies to include these summaries as OAI or to explain how and why DoD uses an alternative method for reporting that information. Each material weakness should be listed using a unique, short, and easily understood name. These names should be kept constant, so that a weakness reported in FMFIA sections or by the auditor has the same name. To the extent possible, weakness names should also be kept constant from year to year. Significant deficiencies are not required to be reported. Refer to [OMB Circular A-136](#) for additional guidance regarding format and content of the summary report.

030603. Improper Payments Information

Guidance for reporting improper payments is contained in Volume 4, Chapter 14: "Improper Payments" and [OMB Circular A-136](#), Section II.5.8.

030604. Other Supporting Statements for Foreign Military Sales (FMS) Reporting

DoD administers FMS programs on behalf of the Executive Office of the President. Principal statements **must** be prepared for **all applicable FMS-related trust, general,** and revolving funds. The Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources **will** be reported as OAI.

VOLUME 6B, CHAPTER 4: “BALANCE SHEET”**SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated January 2006 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Multiple	Reworded and reformatted chapter for clarity. Added electronic links.	Revision/Addition
Multiple	Added an Overview section.	Addition
Multiple	Incorporated guidance for preparing Balance Sheets as prescribed by OMB Circular A-136 and the Treasury Financial Manual, Volume 1, Part 2, Chapter 4700, Agency Reporting Requirements for the Financial Report of the United States Government.	Revision
Multiple	Deleted requirement to provide beginning balance, acquisitions, transfers, sales, disposals, revaluations and prior period adjustments for inventory, general property, plant and equipment, environmental and lease liabilities, which are no longer required for Governmentwide financial statement reporting.	Deleted
040305.E	Added additional reporting requirements for the recognition of a liability and related expense for friable and nonfriable asbestos cleanup costs when both probable and reasonably estimable in accordance with FASAB Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs.	Addition
Figure 4-2	Deleted Figure 4-2, Consolidating Balance Sheet illustrative example as this is no longer a requirement in the current OMB Circular A-136 guidance on financial statement presentation.	Deleted

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CHAPTER 4

BALANCE SHEET***0401 OVERVIEW**

040101. Purpose

This chapter prescribes policy for preparing the Department of Defense (DoD) Balance Sheet. It provides details as to the formatting used in various versions of the Balance Sheet including line by line instructions for preparing the asset, liability, and net position sections thereof.

040102. General

The Balance Sheet presents, as of a specific time, amounts of economic resources owned or managed by a reporting entity (assets), amounts owed by the entity (liabilities), and amounts that comprise the difference between assets and liabilities (net position). Guidance from the *Office of Management and Budget Circular A-136*, Financial Reporting Requirements, and the *Treasury Financial Manual, Volume 1, Part 2, Chapter 4700*, Agency Reporting Requirements for the Financial Report of the United States Government (TFM) 2-4700, have been incorporated throughout this chapter.

0402 FORMATS FOR THE BALANCE SHEET

040201. Format for the Balance Sheet

The format presented in Figure 4-1 shall be used for the consolidated Balance Sheet. The working versions of all statements and notes shall include line numbers as shown. All amounts shall be in dollars and cents in the working versions of the statements and notes in order to improve communication among the preparers, the reviewers, and the auditors during the financial statement preparation process and minimize the additional time and workload required to round and reconcile dollar amounts.

040202. Final Published Balance Sheet Format

The final DoD wide published statements and the notes to the principal statements shall display dollars rounded to millions with one decimal point. All DoD Component statements shall display dollar amounts rounded to the nearest whole thousand on the final published principal statements and in the tables/schedules contained in the notes to the principal statements. Dollar amounts in note narratives shall be reported with a maximum of three position integers and a single decimal value followed by an identifier, such as millions, billions, etc. (e.g. \$340.1 million, not \$340,100 thousand). The line numbers shown in Figure 4-1 on the statements **are** not required for the final published version but are for reference purposes only. These line number references shall not be included on the final published statements.

0403 INSTRUCTIONS FOR PREPARATION OF THE BALANCE SHEET*040301. General Instructions**

The Balance Sheet presents, as of a specific time, amounts of future economic benefits owned or managed by the reporting entity (assets), amounts owed by the entity (liabilities), and amounts which comprise the difference (net position). Although the value of stewardship assets does not appear on the face of the Balance Sheet, stewardship assets are disclosed in the Property, Plant and Equipment (PP&E) Note to the Balance Sheet. Formats are displayed using notional data to assist the user. The Balance Sheet shall use post closing balances for all amounts. Individual statement crosswalks are prepared from information utilizing the Department of Treasury United States Standard General Ledger (USSGL) guidance crosswalks found at <http://www.fms.treas.gov/ussgl> under “USSGL TFM.” The crosswalk for each line of the Balance Sheet statement is incorporated into the Defense Departmental Reporting System, *(DDRS) Audited Financial Statements (AFS)* and can be accessed with proper authorization by selecting “Query” from the main DDS AFS menu, option Referential Data, option Report Map.

***040302. Definition of Terms Used on the Assets Section of the Balance Sheet**

Assets are tangible or intangible items owned by the DoD Component, which have probable economic benefits that can be obtained or controlled by a DoD Component. The intragovernmental assets of a DoD Component are reported separately on the face of the Balance Sheet. Intragovernmental assets arise from transactions among federal entities. Nonentity assets, which may be intragovernmental or nonfederal, are disclosed separately in the notes. Guidance concerning the preparation of the notes is contained in Chapter 10. Entity, nonentity, and intragovernmental assets are defined below in accordance with the Statement of Federal Financial Accounting Standards, *(SFFAS) Number 1, Accounting for Selected Assets and Liabilities*.

A. Entity Assets. These are assets that the reporting entity has authority to use in its operations. The authority to use funds in an entity’s operations means that the entity’s management has the authority to decide how funds are used, or management is legally obligated to use funds to meet entity obligations, e.g., repay loans from Treasury.

B. Nonentity Assets. These are assets that are held by an entity but are not available to the entity. An example of nonentity assets is income tax receivables, which the Internal Revenue Service collects for the Federal Government but has no authority to spend.

C. Display of Entity and Nonentity Assets. The face of the Balance Sheet combines entity and nonentity assets, e.g., entity intragovernmental accounts receivable and nonentity intragovernmental accounts receivable are combined and reported as a single intragovernmental accounts receivable line item on the face of the Balance Sheet. Nonentity assets are disclosed in Note 2. Guidance concerning the preparation of the notes to the financial statements is contained in Chapter 10.

D. Intragovernmental Assets. Intragovernmental assets arise from transactions among federal entities. Intragovernmental assets are claims of a federal entity against other federal entities. They are reported separately from transactions with nonfederal entities, the Federal Reserve, and government sponsored enterprises (i.e., federally chartered but privately owned and operated entities). The term “nonfederal entity” encompasses domestic and foreign persons and organizations outside the U.S. Federal Government.

040303. Line Item Instructions for the Preparation of the Asset Section of the Balance Sheet

A. Intragovernmental Assets

1. Fund Balance with Treasury (FBWT), Line 1.A.1. The FBWT line reflects the Department’s general ledger account balance with the Department of the Treasury and is the net effect of all collections and disbursements. It represents the aggregate amount for which the entity is authorized to make expenditures and pay liabilities. DoD entities shall explain in Note 3 any differences between the fund balance with the U.S. Treasury in the reporting entity’s general ledger accounts and the balance in the U.S. Treasury accounts. This account includes clearing account balances and the dollar equivalent of foreign currency account balances. Foreign currency account balances reported on the Balance Sheet shall be translated into U.S. dollars at exchange rates determined by the Department of the Treasury and are effective at the financial reporting date. If the reporting entity maintains fund balances in deposit accounts that are not available to finance the entity’s activities, then those balances are also reported and disclosed in Note 2 as nonentity assets. Suspense and clearing accounts are entity accounts. FBWT accounts are disclosed by fund types, including appropriated funds, revolving funds, trust funds, special funds, and other fund types. Other fund types should include balances in deposit accounts, such as for collections pending litigation or being held by the entity in the capacity of a banker or agent of others. The FBWT does not include any amounts for which the Department of the Treasury is willing to accept corrections to cancelled appropriation accounts, in accordance with [SFFAS Number 1](#). The amount reported must include extended obligation authority for obligations incurred in closing and closed accounts.

2. Investments, Line 1.A.2. This line identifies investments in federal securities which must be reported separately from investments in nonfederal securities. Investments in federal securities include nonmarketable par value Treasury securities, market based Treasury securities, marketable Treasury securities, and securities issued by other federal entities. Nonfederal securities include those issued by state and local governments, government sponsored enterprises, and other private corporations. Investments are normally reported at their acquisition cost or amortized acquisition cost. The components of investments, including the market value of market based and marketable Treasury securities, shall be disclosed in Note 4. See [SFFAS Number 1](#) for further information on investments in par value Treasury securities and in marketable and market based securities expected to be held to maturity. Reporting entities with material investments in Treasury securities attributable to earmarked funds are required to prepare a note disclosure within Note 4 in accordance with [SFFAS Number 27, Identifying and Reporting Earmarked Funds](#). Earmarked funds are specific revenues and other financing sources required by statute to be used for designated benefits, activities, or purposes and must be

accounted for separately. Refer to [SFFAS Number 27](#) for complete definition and criteria for earmarked funds. Additional required disclosures for earmarked funds are reported in Note 23.

3. Accounts Receivable, Line 1.A.3. Federal entity claims for payment from other federal entities are recorded as accounts receivable. Note 5 includes both entity and nonentity receivables. Receivables related to direct or guaranteed loans are not included on this line. These amounts are reported in Note 8. Refunds receivable are included in USSGL account 1310, "Accounts Receivable." No allowance for estimated uncollectible amounts is recognized for intragovernmental receivables because they are considered collectible. Accounts receivable shall be adjusted for supported undistributed collections. Unsupported undistributed collections are to be included in USSGL account 2400, Liability for Deposit Funds, Clearing Accounts, and Undeposited Collections. See Chapter 13 for accounts receivable elimination requirements. Additional information regarding accounts receivable is disclosed in Note 5.

4. Other Assets, Line 1.A.4. Other Assets shall include assets that are not reported in a separate category on the face of the Balance Sheet. Other intragovernmental advances and prepayments to other federal entities are reported on this line. The amount and nature of the advances and prepayments are disclosed in Note 6. Material disclosures for this line will be provided in Note 6 along with the separation of the amounts for intragovernmental and nonfederal assets. Advances are cash outlays made by a federal entity to other federal entities as advance payments for the costs of goods and services the entity receives. Prepayments are payments made by a federal entity to cover certain periodic expenses before those expenses are incurred. See Chapter 13 for elimination requirements.

5. Total Intragovernmental Assets, Line 1.A.5. This line is the sum of Lines 1.A.1 through Line 1.A.4.

B. Cash and Other Monetary Assets, Line 1.B. This line includes the total of all cash resources and all other monetary assets.

1. Cash consists of:

a. Coins, paper currency and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in transit for deposit.

b. Amounts on demand deposit with banks or other financial institutions.

c. Cash held in imprest funds.

d. Foreign currencies, which, for accounting purposes, shall be translated into U.S. dollars at the exchange rate on the financial statement date.

2. Other monetary assets also include gold, special drawing rights, and U.S. Reserves in the International Monetary Fund. The amount of cash and other monetary

assets that the reporting entity holds and is authorized to spend is entity cash. The assets under this category that a federal entity collects and holds on behalf of the U.S. Federal Government or other entities are nonentity cash and other monetary assets, both of which shall be reported on this line. The DoD disbursing officer's cash reported on the [Standard Form \(SF\) 1219, Statement of Accountability](#), is reported on this line. Additional information is included in the [DoD Quarterly Financial Statement Guidance](#). This line also includes the total U.S. dollar equivalent of foreign currencies held in special program foreign currency (97X7000) fund accounts. The components of cash and other monetary assets are disclosed in Note 7. Any restrictions on cash must be disclosed.

C. Accounts Receivable, Net, Line 1.C. This item represents federal entity claims for payments due from nonfederal entities, net of an allowance for estimated uncollectible amounts. For example, this line [includes](#) amounts due from former service members who must refund amounts issued as reenlistment bonuses. This line also includes interest receivable from nonfederal entities. No interest shall be recognized as revenue on accounts receivable that are determined to be uncollectible until the interest is collected. Accrued interest on uncollectible accounts receivable shall be disclosed until the [DoD Component waives the](#) requirement to pay [the](#) interest or the related bad debt is written off. Interest Receivable related to direct loans and acquired defaulted guaranteed loans should be reported as a component of loans receivable on Line 1.D. Accounts receivable shall be adjusted for supported undistributed collections. Unsupported undistributed collections are to be included in USSGL account 2400, Liability for Deposit Funds, Clearing Accounts, and Undeposited Collections. Additional information regarding Accounts Receivable shall be disclosed in Note 5.

D. Loans Receivable, Net, Line 1.D. This item represents the net value of assets [prior](#) to 1992 and [after](#) 1991 direct loans receivable and acquired defaulted guaranteed loans receivable. The net value of credit program receivables and related foreclosed property [is](#) considered an entity asset. The entity [must have](#) the authority to determine the use of the funds collected or the entity [must be](#) legally obligated to use the funds to meet entity obligations, e.g., loans payable to the Treasury. If the reporting entity administers a loan guarantee program and forecloses on property, [then see SFFAS Number 2, Accounting for Direct Loans and Loan Guarantees, for detailed requirements](#). When a loan guarantee program, which is generating negative subsidy, guarantees a loan and the lender has not disbursed the loan as of the Balance Sheet date, a proprietary receivable from borrowings should not be reported. It is sufficient to report the undelivered order which [is](#) recorded to obligate the funds and which [is](#) disclosed as part of the total undelivered orders. The components of this line [are disclosed](#) in Note 8.

E. Inventory and Related Property, Net, Line 1.E. [This line](#) includes inventory, operating materials and supplies (OM&S), and stockpile materials. Disclosure requirements are identified in Note 9, as prescribed in Chapter 10. The total amounts of inventory and other related property [are summarized and](#) reported in Note 9. The categories listed below make up this line.

1. Inventory

- a. Inventory is tangible personal property that is:

- (1) Held for resale, including raw materials.
- (2) In the process of production for sale.
- (3) To be consumed in the production of goods for sale or in the provision of services for a fee.
- (4) To be transferred to entities within or outside of the Federal Government.

b. The amount reported on this line is disclosed in Note 9 in the following categories.

- (1) Available and Purchased for Resale.
- (2) Held for Repair.
- (3) Excess, Obsolete, and Unserviceable.
- (4) Raw Materials.
- (5) Work in Process.

c. Inventory **Work in Process includes** all amounts that represent work in process at a depot maintenance or research and development activity. Work in process is recorded as inventory because the USSGL does not contain an account for work in process that is not inventory.

2. Operating Materials and Supplies (OM&S). OM&S are tangible personal property to be consumed in normal operations. OM&S consist of secondary supply items and munition items that a logistics activity holds in stock, pending issue, without reimbursement, to the unit or organization that will consume the item in normal operations. If the amounts are significant, **then** the items traditionally held by depot maintenance activities that will be consumed in, or become part of, the repair or production of secondary or end items **are included in this category**. Inventory items held for sale and equipment (as in PP&E) **are excluded from OM&S**, even **when those items are** held in stock. DoD Components shall use the most reliable source of information available as a means of reporting the value of OM&S or inventory in the possession of contractors. The amount reported on this line should be broken **into the following categories in Note 9**:

- a. Held for use.
- b. Held for repair.
- c. Excess, obsolete and unserviceable.

Material portions of the amount reported on these lines are disclosed in Note 9. **Materiel** is defined as any component of OM&S that represents more than 10 percent of the value of OM&S. The quantity of secondary supply items held to meet the approved acquisition objective or held for economic retention or contingency retention are considered to be held for current use. Munitions in stock to satisfy training needs or held to satisfy operational or military contingency needs are considered to be held for current use. The recurring high dollar value of OM&S in need of repair is material and is reported as a separate reporting category. The DoD often relies on OM&S no longer in production and encourages the repair and rebuilding of certain OM&S. Condemned materiel or repairable items that are surplus are considered to be excess, obsolete, and unserviceable. Based on the criteria in [SFFAS Number 3](#), Accounting for Inventory and Related Property, the DoD policy is to use the consumption method of accounting for the recognition of OM&S expenses. Current systems that cannot fully support the consumption method, may use the purchase method, in which materials and supplies are expensed when purchased.

3. Stockpile Materiels. Stockpile Materiels, only applicable to and reported by the Defense Logistics Agency (DLA), are strategic and critical materiels held due to statutory requirements for use in national defense, conservation or national emergencies; e.g., pursuant to the [Strategic and Critical Materials Stock Piling Act](#). Within the Department, management of the Stockpile Materiels was assigned to the DLA National Defense Stockpile Center. Only the DLA National Defense Stockpile Transaction Fund is authorized to use this inventory category and the associated accounts. Included are critical materiels held as reserves or stockpiles. They are not held with the intent of selling in the ordinary course of business. Material portions of the amount reported on this line are disclosed in Note 9. **Materiel** is defined as any component of Stockpile **Materiels** that represents more than 10 percent of the value of Stockpile **Materiels**.

* F. General Property, Plant and Equipment, Net (PP&E), Line 1.F. General PP&E is defined as any capitalizable PP&E used in providing goods and services, or in support of an entity's mission. General PP&E includes the amount of real and personal property, e.g., land, land rights, buildings, structures and facilities, **military equipment**, construction in progress, software, **other** equipment, and related improvements that have been capitalized, net of any accumulated depreciation. The General PP&E line includes the value of all assets that meet the requirement for capital leases as described in [SFFAS Number 6](#), Accounting for Property, Plant and Equipment, and property owned by the reporting entity irrespective of whether it is in the hands of the reporting entity or contractors. The elements of PP&E, as well as information regarding any depreciation practices, are disclosed in Note 10. DoD Components shall use the most reliable source of information available as a means to report the value of General PP&E in the possession of its contractors. The value of Base Realignment and Closure real property, once the mission of that installation has been terminated or transferred, shall be recorded in USSGL account 1890, "Other General Property, Plant and Equipment." This account shall be crosswalked to the General Property Plant and Equipment line. See Volume 4, Chapter 6 for the detailed policy in regard to General PP&E. [SFFAS Number 23, "Eliminating the Category National Defense Property, Plant, and Equipment,"](#) classifies military equipment as PP&E, and requires the capitalization and depreciation of the cost of military equipment, including the cost of modifications and upgrades. Further guidance on this can be found in [SFFAS Number 6](#), as

amended by [SFFAS Number 11](#), Amendments to Accounting for PP&E: Definitional Changes, [SFFAS Number 23](#), Eliminating the Category National Defense PP&E, and [SFFAS 29](#), Heritage Assets and Stewardship Land.

1. General PP&E Characteristics. General PP&E has one or more of the following characteristics.

a. It is primarily used to produce goods or services, or to support the mission of the entity. PP&E could be used for alternative purposes (e.g., by other federal programs, state, or local governments, or nongovernmental entities).

b. It is used in a significantly self sustaining activity which finances its continuing cycle of operations through the collection of revenue (business type activities).

c. It is used by entities in activities whose costs can be compared to other entities performing similar activities.

2. Working Capital Fund (WCF) PP&E. For entities operating as business type activities (WCF Activities), all PP&E used in the performance of their mission shall be categorized as General PP&E whether or not it meets the definition of other PP&E categories (e.g., heritage assets). Land and land rights acquired for, or in connection with, General PP&E shall be included in General PP&E.

* 3. Internal Use Software. If the costs of software, whether commercial off the shelf, internally developed or contractor developed, meets the DoD capitalization criteria for General PP&E, then these costs shall be capitalized and depreciated. Refer to [SFFAS Number 10](#), Accounting for Internal Use Software; [Federal Financial Accounting and Auditing Technical Release 5: Implementation Guidance on Statement of Federal Financial Accounting Standards 10: Accounting for Internal Use Software](#) and Volume 4, Chapter 6 for further guidance on internal use software.

4. Depreciation. The expense associated with the use of General PP&E, known as depreciation, shall be calculated through the systematic and rational allocation of the cost, less its estimated salvage/residual value, over the estimated useful life of the General PP&E. Depreciation shall be recognized on all General PP&E, except land and land rights of unlimited duration.

* 5. Multi Use Heritage Assets. Heritage assets predominantly used in general government operations (e.g., buildings, such as the Pentagon which is used as an office building) are classified as multi use heritage assets. As required by [SFFAS Number 29](#), the cost of acquiring, bettering, and reconstructing all multiuse heritage assets shall be capitalized as General PP&E and depreciated.

6. Construction in Progress (CIP). Progress payments based on the percentage of completion of fixed-price contracts for construction (as defined in FAR 36.102), shipbuilding, and ship conversion, alteration, or repair are reported as CIP.

G. Investments, Line 1.G. Investments in nonfederal securities shall be reported separately from investments in federal securities. This line represents other DoD investments as allowed by public laws. Specifically, Public Law 104-106, Section 2801 allows the DoD to enter into limited partnerships in support of the Military Housing Privatization Initiative. Additional information regarding investments is disclosed in Note 4 as prescribed in Chapter 10.

* H. Other Assets, Line 1.H. Other Assets shall include assets that are not reported in a separate category on the face of the Balance Sheet. This line includes those assets that are not classified as intragovernmental and are not included on the lines in Section 040303, A - H of this Chapter. If any of the components of Other Assets represent more than 10 percent of the value of the line, then separately disclose those components in Note 6. This amount represents the values of all advances and prepayments made to nonfederal entities. This line includes the value of outstanding civilian and military pay and travel advances. This line also includes the value of contract financing payments made to contractors prior to acceptance of goods or services. The balance of outstanding contract financing payments also includes estimated future payments to the contractor upon delivery and government acceptance of a satisfactory product on contracts utilizing progress payments based on cost. This line does not include invoice payments, to include payments for partial deliveries or lease and rental payments. Also, the DoD does not make contract financing payments in the form of progress payments based on a percentage or stage of completion. Specifically, within DoD, progress payments based on the percentage of completion are only authorized for fixed-price contracts for construction (as defined in FAR 36.102), shipbuilding, and ship conversion, alteration, or repair. Progress payments under such contracts are not advances or prepayments, and are not contract financing payments. These progress payments based on a percentage or stage of completion instead are classified as Construction in Progress and are reported in the PP&E line on the Balance Sheet.

I. Total Assets, Line 2. This line is the sum of Lines 1.A.5. and Lines 1.B. through 1.H.

* J. Stewardship PP&E, Line 3. Assets whose physical properties resemble those of General PP&E, that are capitalized in financial statements under most circumstances, are classified as Stewardship PP&E. The DoD Component must be able to demonstrate accountability over these assets by reporting on their existence and condition. Stewardship PP&E includes:

* 1. Heritage Assets. Heritage assets consist of collection type assets, (i.e., objects gathered and maintained for exhibition) and noncollection type heritage assets, (i.e., parks, memorials, monuments, and buildings). These assets are preserved for an indefinite period of time. Heritage PP&E are unique for one or more of the following:

- a. Historical or natural significance.
- b. Cultural, educational, or artistic importance.
- c. Significant architectural characteristics.

* 2. Stewardship Land. Stewardship land is land and land rights owned by the DoD Component but not acquired for or in connection with items of General PP&E. Examples of stewardship land include land used as forests and parks, and land used for wildlife and grazing.

* K. SFFAS Number 29. Heritage Assets and Stewardship Land, reclassified heritage assets and stewardship land information as basic information with the exception of condition reporting, which is considered Required Supplemental Information (RSI). Specifically, this standard requires that entities reference a note on the Balance Sheet that discloses information about heritage assets and stewardship land, but no asset dollar amount is shown on the Balance Sheet. DoD does not present this information in a separate note. DoD discloses this information in Note 10.

040304. General Instructions for the Preparation of the Liabilities Section of the Balance Sheet

A. Definition. A liability is a probable future outflow or other sacrifice of resources as a result of past transactions or events. Financial statements shall recognize probable and measurable future outflows or other sacrifices of resources arising from:

1. Past exchange transactions.
2. Government related events.
3. Government acknowledged events.
4. Nonexchange transactions that, according to current law and applicable policy, are unpaid amounts due as of the reporting date.

B. Liability Recognition

* 1. SFFAS Number 5. Accounting for Liabilities of the Federal Government, describes the general principles governing the recognition of a liability. The concept of a liability includes not only those liabilities routinely recurring in normal operations, such as accounts payable, but also includes contingent liabilities resulting from an existing condition that involve uncertainty as to possible loss.

* 2. Liabilities resulting from normal operations shall be recognized when they are incurred regardless of whether they are covered by available budgetary resources. This requirement includes liabilities related to appropriations canceled under "M" account

legislation [Title 31, United States Code, section 1552](#), Procedure for Appropriation Accounts Available for Definite Periods. Contingent liabilities shall be recognized when a past event or exchange transaction has occurred that results in a probable, measurable future outflow of resources. If a specific amount of the contingent liability cannot reasonably be estimated, but a range of amounts can, [then](#) the contingent liability should be recognized. If some amount within the range is a better estimate than any other amounts within the range, then that amount should be recognized. If no amount within the range is a better estimate than any other amounts, then the minimum amount of the range should be recognized and the range disclosed in Note 15. [A contingent liability that results from a past event or exchange transaction that results in a reasonably possible, measurable future outflow of resources is disclosed in Note 16.](#)

C. Liabilities Covered and Not Covered by Budgetary Resources. Liabilities covered by budgetary resources [and](#) liabilities not covered by budgetary resources [are combined](#) on the face of the Balance Sheet. [For example](#), intragovernmental accounts payable covered by budgetary resources and intragovernmental accounts payable not covered by budgetary resources shall be combined and reported as a single intragovernmental accounts payable line item on the face of the Balance Sheet.

1. Liabilities Covered by Budgetary Resources

a. These are liabilities incurred which are covered by realized budgetary resources as of the Balance Sheet date. Budgetary resources encompass not only new budget authority but also other resources available to cover liabilities for specified purposes in a given year. Available budgetary resources include:

- (1) New budget authority.
- (2) Unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year.
- (3) Spending authority from offsetting collections (credited to an appropriation or fund account)
- (4) Recoveries of unexpired budget authority through downward adjustments of prior year obligations.

b. Liabilities are considered covered by budgetary resources when they are funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the Balance Sheet date. The resources must be apportioned by OMB without further action by the Congress and without a contingency having to be met first.

2. Liabilities Not Covered by Budgetary Resources. This category is for liabilities which are not covered by budgetary resources, as provided in the previous paragraph. Liabilities not covered by budgetary resources are disclosed separately in Note 11.

040305. Instructions for the Preparation of the Liabilities Section of the Balance Sheet

This line includes those liabilities incurred as of the reporting date.

A. Intragovernmental Liabilities. These liabilities are claims against the entity by other federal entities. Intragovernmental liabilities are reported separately from claims against the reporting entity by nonfederal entities, including government sponsored enterprises, and the Federal Reserve System.

1. Accounts Payable, Line 4.A.1. Accounts payable are the amounts owed by a federal entity for goods and services received from other entities, progress in contract performance made by other entities, and rents due to other federal entities. Accounts payable shall be adjusted for supported undistributed disbursements. Unsupported undistributed disbursements are to be recorded in the USSGL account 2120, Disbursements in Transit. Required disclosures relating to accounts payable, intragovernmental and nonfederal payables are listed separately in Note 12. Eliminations impact intragovernmental accounts payable. Refer to Chapter 13.

2. Debt, Line 4.A.2. This item represents the amounts of borrowings from the Treasury, the Federal Financing Bank, or other federal agencies under general or specific financing authority (e.g., Treasury bills, notes, bonds and Federal Housing Administration debentures). The breakdown of debt is disclosed in Note 13. All debt is classified as not covered by budgetary resources, except for direct loan and guaranteed loan financing account debt to Treasury and that portion of other debt which is covered by budgetary resources at the Balance Sheet date. The breakdown of debt held by the DoD Component is disclosed in Note 13 of the Balance Sheet.

* 3. Other Liabilities, Line 4.A.3. This item represents intragovernmental liabilities that are not recognized in specific categories. This line includes the total amount due to federal entities for liabilities owed by other federal entities that are not included on lines in Section 040305, A. 1- 2 of this Chapter. This amount includes, but is not limited to: deferred credits, advances and prepayments received from other federal entities for goods to be delivered or services to be performed, deposit fund amounts held in escrow, and capital leases. Note 15 shall be used to report separately the current and noncurrent portion of other intragovernmental liabilities. Current liabilities represent amounts owed by a federal entity, which need to be paid within the fiscal year following the reporting date. Further disclosure may be appropriate for separate categories within other intragovernmental liabilities when the amounts are material. Material amounts are defined as any component of the other liabilities line that represents more than 10 percent of the value of the line. This line includes the pecuniary liability to the Treasury for the DoD disbursing officer's cash reported on SF 1219. If the amounts are significant to the Balance Sheet, then separate reporting of items within other liabilities is appropriate.

4. Total Intragovernmental Liabilities, Line 4.A.4. This is the sum of Lines 4.A.1 through 4.A.3.

B. Accounts Payable, Line 4.B. These are the amounts owed by the reporting entity for goods and services received from nonfederal entities, progress in contract performance made by other nonfederal entities, and rents due to nonfederal entities. Interest payable as a component of the accounts payable shall be reported [on this line](#). Accrued interest payable is also included in this line as detailed by the [Prompt Payment Act](#). Accounts payable should be adjusted for supported undistributed disbursements. Unsupported undistributed disbursements are to be recorded in the USSGL account 2120, Disbursements in Transit. Note 12 is used for required accounts payable [disclosures](#).

C. Military Retirement and Other Federal Employment Benefits, Line 4.C. Entities that are responsible for the administration for pensions, other retirement benefits, [including, health benefits](#) for retirees, and other post-employment benefits shall calculate and report these liabilities and related expenses in accordance with [SFFAS Number 5](#). Liabilities for federal employee and veterans' benefits include the actuarial portion of these benefits. They do not include liabilities related to ongoing continuous expenses such as employee accrued salary and accrued annual leave, which are reported in the Other Liabilities line item. The major assumptions used to derive the present value calculations for the actuarial liabilities not covered by budgetary resources, including [any](#) related net assets, [are](#) disclosed in Note 17. Liabilities, assumptions used, and the components of expense for the period for pensions, other retirement benefits, and other post employment benefits [are disclosed](#). In the case of a retirement plan that uses assumptions that differ from those used by primary plans, the pension plan using the different assumptions [must](#) disclose how and why the assumptions used differ from those of the primary plans. This line is applicable within the Department to military retirement pension benefits, retired military health benefits, and other employment related actuarial liabilities for civilian and military personnel. See Note 17 of Chapter 10 for required Military Retirement and Other Federal Employment Benefit disclosures.

* D. Environmental and Disposal Liabilities, Line 4.D. Environmental and disposal liabilities include the costs to remove, contain, and/or dispose of hazardous waste from property, plant and equipment; as well as the costs to remove, contain, and/or dispose of materiel and/or property that is deemed to be hazardous waste at a permanent or temporary closure or shutdown of associated PP&E. [SFFAS Number 5](#) provides criteria for recognizing a contingent liability and such criteria shall be applied to determine when cleanup costs are recognized as liabilities and/or disclosed in the notes. [SFFAS Number 6](#) supplements the liability standard by providing guidance for recording cleanup costs related to General PP&E and Stewardship PP&E used in federal operations. The guidance applies to cleanup costs from federal operations known to result in hazardous waste that the DoD Components are required to clean up by federal, state, or local statutes or regulations. Environmental conditions that result from current operations and require immediate cleanup, e.g. an oil spill or routine hazardous waste disposal, are not considered environmental liabilities and should be recognized as a current operating expense, assuming the DoD Component completes the cleanup, closure and/or disposal action in the current reporting period. Additional information can be found within [FASAB Technical Bulletin 2006-1, "Recognition and Measurement of Asbestos-Related Cleanup Costs,"](#) and [Federal Financial Accounting And Auditing Technical Release 2: "Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government."](#) The

elements of environmental cleanup are disclosed in Note 14 of Chapter 10. See Volume 4 Chapter 13 for additional guidance on environmental liabilities.

Technical Bulletin 2006-1 was issued on September 28, 2006 and is effective for periods beginning after September 30, 2009. Technical Bulletin 2006-1 affects all federal entities that own tangible property, plant, and equipment (PP&E) that contain asbestos. The focus of Technical Bulletin 2006-1 is the recognition of a liability and related expense for friable and nonfriable asbestos cleanup costs when both probable and reasonably estimable consistent with SFFAS No. 5, SFFAS No. 6, and Technical Release No. 2. Liabilities deemed probable, but not reasonably estimable, should be disclosed in the notes to the financial statements. Earlier adoption is encouraged.

E. Loan Guarantee Liability, Line 4.E. This line includes the present value of the estimated net cash flows to be paid as a result of loan guarantees [after 1991](#). For loan guarantees [prior to 1992](#), the amount of known and estimated losses to be payable shall be included. This information is reported in Note 8 of the financial statement. When the total loan guarantee liability for all credit programs of a reporting entity is negative, it should be reported as an asset. If a loan guarantee liability is the result of both positive and negative amounts for the various components, then the total will be shown as a liability, and negative components disclosed.

F. Other Liabilities, Line 4.F

1. This line includes the total amount due to the public for other liabilities that are not included on other lines [in Section 040305, A - F of this Chapter](#). This amount includes, but is not limited to, liabilities related to, deferred credits, accrued liabilities related to ongoing continuous expenses such as federal employee salaries and accrued employee annual leave, capital leases, advances and prepayments received from other nonfederal entities for goods to be delivered or services to be performed, deposit fund amounts held in escrow, and estimated losses for commitments and contingencies [when all of the following criteria are met](#):

a. A past event or exchange transaction has occurred (e.g., a federal entity has breached a contract with a nonfederal entity) as of the date of the statements.

b. A future outflow or other sacrifice of resources is probable.

c. The future outflow or sacrifice of resources is measurable (e.g., the amount can be reasonably estimated).

* 2. Cleanup costs [are not included](#). They are reported as environmental and disposal costs.

3. If the amounts are significant to the Balance Sheet, [then separate reporting of items within other liabilities is appropriate](#). Any component of this line that represents more than 10 percent of the value of the line [is disclosed separately in Note 15](#) along with any additional information needed to understand the liability. Note 15 is used to report

separately the current and noncurrent portion of other nonfederal liabilities. Current liabilities represent amounts owed by a federal entity, which need to be paid within the fiscal year following the reporting date.

4. Accrued Entitlement Benefits. Accrued entitlements benefits include:

a. Salaries and wages which represent the estimated liability for salaries and wages of civilian personnel that have been earned, but are unpaid, and the estimated military personnel funded compensation earned, but unpaid, as of the end of the current accounting month.

b. Both funded and unfunded accrued annual leave which represent the accrued leave for civilians and military personnel that has been earned and is expected to be paid in the future.

* 5. Commitments and Contingencies. A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity. The uncertainty should ultimately be resolved when one or more future events occur or fail to occur. A contingent liability must be recorded when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable. SFFAS Number 5, as amended by SFFAS Number 12, contains the criteria for recognition and disclosure of contingent liabilities. Also, OMB Circular A-136, Section 3, Financial Section - Balance Sheet, *Commitments and Contingencies* states: **“In addition to the contingent liabilities required by SFFAS No. 5, the following shall also be disclosed: (1) an estimate of obligations related to canceled appropriations for which the reporting entity has a contractual commitment for payment, and (2) amounts for contractual arrangements which may require future financial obligations.”** Additional information regarding commitments and contingencies to be recorded as “Other Liabilities”, and those that are to be disclosed on Line 6, “Commitments and Contingencies” can be found in Chapter 10, Section 1018. In regard to pending or threatened litigation and unasserted claims, the contingent liability is recognized when the future outflow or other sacrifice of resources is “likely to occur” as detailed by SFFAS Number 12. If a contingency exists for clean up costs related to Stewardship PP&E, then probable and measurable liabilities shall be recognized when the Stewardship PP&E is placed in service. SFFAS Number 5, and SFFAS Number 6 contain the criteria for Stewardship PP&E. In addition, FASAB Technical Release (TR) Number 2, contains guidance on estimating obligations for which the reporting entity accepts financial responsibility and has a contractual commitment for payment. Examples of commitments and contingencies for which the estimated losses would be reported on this line are:

a. Indemnity agreements, i.e., reimbursements due to licensees or contractors for losses incurred in support of federal government activities.

b. Nonadjudicated claims, i.e., claims against the **DoD Component** that are in the process of judicial proceedings.

c. Commitments to international institutions, i.e., payments due to international financial institutions.

* d. Litigation addressing claims for equity relief or nonmonetary judgments, i.e., claimants are seeking specific actions by a DoD Component.

e. Estimated contractor-incurred costs in excess of authorized progress payments based on cost.

6. Lease Liabilities. The liability for capital leases is reported on this line. Capital leases entered into prior to FY 1992 and lease purchases made prior to FY 1991 were funded on a fiscal year basis. Capital leases and lease purchases entered into during FY 1992 and thereafter are fully funded in the first year of the lease. The components of and other information about the capital lease liability, are disclosed in Note 15.

Total Liabilities, Line 5. This line is the sum of Lines 4.A through 4.F.

040306. Instructions for Preparation of the Net Position Section of the Balance Sheet

Net Position is comprised of unexpended appropriations and cumulative results of operations. Earmarked funds are financed by identified revenues, are required by statute to be used for designated activities or purposes, and must be accounted for separately from the DoD Component's general revenues. SFFAS Number 27 requires disclosure of all earmarked funds for which the reporting entity has program management responsibility. This information is presented in Note 23. The elements of net position are classified as follows:

A. Unexpended Appropriations, Earmarked Funds, Line 6.A. This amount includes the portion of the entity's appropriations represented by undelivered orders and unobligated balances related to earmarked funds. Unexpended appropriations attributable to earmarked funds should be shown separately on the face of the Balance Sheet. The prior period columns of the basic financial statements and related disclosures should not be restated in the year earmarked funds are initially reported by an entity.

B. Unexpended Appropriations, Other Funds, Line 6.B. This amount includes the portion of the entity's appropriations represented by undelivered orders and unobligated balances that do not relate to earmarked funds.

C. Cumulative Results of Operations, Earmarked Funds, Line 6.C. This line reports the net results of operations since inception, plus the cumulative amount of prior period adjustments related to earmarked funds. The cumulative results of operations attributable to earmarked funds must be shown separately on the face of the Balance Sheet and reported in accordance with the provisions of SFFAS Number 27. The prior period columns of the basic financial statements and related disclosures should not be restated in the year earmarked funds are initially reported by an entity.

* D. Cumulative Results of Operations, Other Funds, Line 6.D. This line reports the net results of operations since inception plus the cumulative amount of prior period adjustments that do not relate to earmarked funds. This includes the cumulative amount of donations and transfers of assets in and out without reimbursement.

* E. Total Net Position, Line 7. This line is the sum of Lines 6.A through 6.D.

* F. Total Liabilities and Net Position, Line 8. This line is the sum of Lines 5 and 7.

Figure 4-1. Department of Defense (Reporting Entity) Balance Sheet

DEPARTMENT OF DEFENSE (REPORTING ENTITY)			
BALANCE SHEET			
As of Fiscal Year 20XX			
(Amounts in thousands)		(Current FY)	(Prior FY)
1. ASSETS (Note 2):			
A. Intragovernmental:			
1. Fund Balance with Treasury (Note 3)		xxx	xxx
2. Investments (Note 4)		xxx	xxx
3. Accounts Receivable (Note 5)		xxx	xxx
4. Other Assets (Note 6)		xxx	xxx
5. Total Intragovernmental Assets	\$	xxx	\$ xxx
B. Cash and Other Monetary Assets (Note 7)	\$	xxx	\$ xxx
C. Accounts Receivable, Net (Note 5)		xxx	xxx
D. Loans Receivable (Note 8)		xxx	xxx
E. Inventory and Related Property (Note 9)		xxx	xxx
F. General Property, Plant and Equipment, Net		xxx	xxx
(Note 10)			
G. Investments (Note 4)		xxx	xxx
H. Other Assets (Note 6)		xxx	xxx
2. TOTAL ASSETS	\$	xxx	\$ xxx
3. STEWARDSHIP PROPERTY, PLANT & EQUIPMENT (Note 10)			
4. LIABILITIES (Note 11)			
A. Intragovernmental:			
1. Accounts Payable (Note 12)	\$	xxx	\$ xxx
2. Debt (Note 13)		xxx	xxx
3. Other Liabilities (Note 15 & 16)		xxx	xxx
4. Total Intragovernmental Liabilities	\$	xxx	\$ xxx
B. Accounts Payable (Note 12)	\$	xxx	\$ xxx
C. Military Retirement and Other Federal Employment Benefits (Note 17)		xxx	xxx
D. Environmental and Disposal Liabilities (Note 14)		xxx	xxx
E. Loan Guarantee Liability (Note 8)		xxx	xxx
F. Other Liabilities (Notes 15 & 16)		xxx	xxx
5. TOTAL LIABILITIES	\$	xxx	\$ xxx
COMMITMENTS AND CONTINGENCIES (NOTE 16)			
6. NET POSITION			
A. Unexpended Appropriations – Earmarked Funds	\$	xxx	\$ xxx
(Note 23)			

B. Unexpended Appropriations – Other Funds	xxx	xxx
C. Cumulative Results of Operations – Earmarked Funds (Note 23)	xxx	xxx
D. Cumulative Results of Operations – Other Funds	xxx	xxx
7. TOTAL NET POSITION	\$ xxx	\$ xxx
8. TOTAL LIABILITIES AND NET POSITION	<u>\$ xxx</u>	<u>\$ xxx</u>

VOLUME 6B, CHAPTER 5: “STATEMENT OF NET COST”**SUMMARY OF MAJOR CHANGES**

All changes are denoted by *blue font*.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue and underlined font*.

The previous version dated May 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This updated chapter supersedes the previously published version May 2009.	Updated
All	Reworded and reformatted chapter for clarity and ease of reading. Added electronic links.	Revision / Addition
050201	Revised the responsibility of the Audited Financial Statements with Department of Defense Audited Financial Statements Reporting and Analysis Corporate Reporting and Analysis.	Revision
050301.A.	Incorporated Statement of Federal Financial Accounting Standards (SFFAS) No. 33 changes for losses (gains) from actuarial assumptions changes for military requirement or other postemployment benefits.	Added
050301.B. and 050401	Revised DoD Agency-Wide Program Presentation from nine appropriation groupings to seven.	Revised
050301.D.	Provided additional clarification from the Office of Management and Budget (OMB) Circular A-136 on interentity imputed costs.	Added
050302.A.1.	Clarified recognition of cost for Property, Plant, and Equipment (PP&E) be recognized in the month that it is incurred according to the OMB A-136.	Revised
050302.D.	Added Losses/Gains from Actuarial Assumption Change for Military Requirement Benefits (Line 2) to the Statement of Net Costs.	Added
050302.F.	Added Costs Not Assigned to Programs (Line 4) to the Statement of Net Costs.	Added

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Figure 5-1 and Figure 5-2	Revised figure to update appropriation groupings, include Losses/Gains from Actuarial Assumption Change for Military Requirement Benefits (Line 2) and Costs Not Assigned to Programs (Line 4).	Revised

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CHAPTER 5**STATEMENT OF NET COST****0501 OVERVIEW****050101. Purpose**

This chapter prescribes the policy for preparing the Department of Defense (DoD) Statement of Net Cost (SNC). Additionally, this chapter provides standard formats for the published and working versions of the SNC.

050102. Scope

The SNC is designed to show the components of the net cost of the reporting entity's operations for the period. The net cost of operations is the gross cost incurred by the reporting entity less any exchange revenue earned from its activities. The concept of exchange revenue is described in the [Statement of Federal Financial Accounting Standards \(SFFAS\) No. 7](#), Accounting for Revenue and Other Financing Source, guidance from Office of Management and Budget, [\(OMB\) Circular A-136](#), Financial Reporting Requirements, and [Treasury Financial Manual, Volume 1, Part 2, Chapter 4700](#), Agency Reporting Requirements for the Financial Report of the United States Government, is incorporated throughout this chapter.

0502 FORMATS FOR THE STATEMENT OF NET COST (SNC)***050201.Format for the Working Version of the Consolidated SNC**

The format presented in Figure 5-1 shall be used for the consolidated statements. All versions of the statements and notes leading up to the final submission of the “published” version to the [DoD Audited Financial Statement Reporting and Analysis Corporate Reporting Standards and Compliance](#) shall be considered a “working version.” The working versions of all statements shall include the line numbers as shown in Figure 5-1. All amounts shall remain dollars and cents in the working versions of the statement and note schedules in order to improve communication among the preparers, the reviewers, and the auditors during the financial statements preparation process.

050202. Format for the Working Version of the Consolidating SNC

The format presented in Figure 5-2 shall be used for the consolidating statement. All amounts shall remain dollars and cents in the working versions of the statement. The working version of this statement will also include the line numbers as shown in Figure 5-2. Consolidating statements are not required by [OMB Circular A-136](#). However, they are useful for financial management and may be published in a reporting entity's annual financial report.

050203. Published SNC Format

The final DoD published statements, including the SNC, and the notes to the principal statements shall display dollars rounded to the nearest millions with one decimal point. All Component statements shall display dollar amounts rounded to the nearest whole thousand on the final published principal statements and in the tables/schedules contained in the notes to the principal statements. Dollar amounts in note narratives will be reported with a maximum of three position integers and a single decimal value followed by an identifier, such as millions, billions, etc. (e.g. \$340.1 million, not \$340,100 thousand). The line numbers shown in Figure 5-1 and Figure 5-2 are for reference only and are not to be included in the final version.

0503 INSTRUCTIONS FOR THE PREPARATION OF THE STATEMENT OF NET COST

050301. General Instructions

* A. Net Cost of Operations. All figures used on the SNC are preclosing trial balances. Preclosing trial balances include end of period adjusting entries to recognize on an accrual basis, revenues and expenses and the proper amounts for assets, liabilities and net position amounts. They do not include closing entries, which reduce nominal accounts to zero. The Consolidating SNC is organized in a manner that allows users of the financial data to differentiate between costs and revenues resulting from both program and nonprogram operations and provides the framework for analysis of outputs and outcomes of the various DoD programs and activities. Net program costs are the gross program costs incurred by the reporting entity, plus losses (gains) from actuarial assumption changes for military retirement or other postemployment benefits, less any exchange program revenue earned from its activities. The gross cost of a program consists of the full cost of the outputs produced by that program plus any nonproduction costs that are assignable to the program. Nonproduction costs are costs linked to events other than the production of goods and services. Note 18, “General Disclosures Related to the Statement of Net Cost,” is designed to provide additional detail on the composition of net cost.

* B. Programs Reported. DoD has identified performance measures based on missions and outputs. DoD does not accumulate costs for major programs based on performance measures, in part because financial processes and systems do not yet fully collect costs in line with these measures. DoD divides programs by the seven major appropriation groupings addressed in paragraph 050401. The DoD Consolidating SNC, shown in Figure 5-2, shall be prepared by displaying financial data by program appropriation groupings horizontal and by the vertical presentation of net cost by suborganizations.

C. Subentity Programs

1. Preparers of the SNC decide the exact classification of subentities and major programs based on:

a. Missions and outputs described in the entity’s strategic and performance plans.

- b. Entity's budget structure.
- c. Guidance for defining and structuring responsibility segments presented in [SFFAS No.4](#), Managerial Cost Accounting Concepts and Standards.
- d. Requirements of the Government Performance and Results Act, ([GPRA](#)).

2. When data is available at the program level, reporting entities may provide information as a supplemental schedule in the note to the SNC, or in other accompanying information. The SNC and related supporting schedules shall show the net cost of operations for the reporting entity as a whole and its subentities and programs, as applicable. In the Consolidating SNC, DoD identifies Components by the reporting entities described in Chapter 1 of this volume. The Components may further break out the Consolidating SNC, and provide any additional supporting schedules in Note 18. Chapter 10 of this volume contains guidance for preparation of the notes.

* D. Imputed Costs. SFFAS No. 4 requires reporting entities to measure and report the full costs of their outputs (products and services) in financial reports. SFFAS No. 4 defines the full cost of an output from a responsibility segment as the sum of the costs of resources consumed by the segment that directly or indirectly contributes to the output and the costs of identifiable supporting services provided by other responsibility segments (internal or external to the reporting entity.) Imputed costs and revenues included in the SNC must be identifiable to a specific trading partner. [The entity providing the goods or services has the responsibility to provide the receiving entity with information on the full cost of such goods or services through either billing or other advice. Recognition of interentity costs that are not fully reimbursed is limited to material items that \(1\) are significant to the receiving entity's output, \(2\) form an integral or necessary part of the receiving entity's output, and \(3\) can be identified or matched to the receiving entity with reasonable precision. Broad and general support services provided by an entity to all or most other entities generally should not be recognized unless such services form a vital and integral part of the operations or output of the receiving entity.](#)

1. Interentity Imputed Costs

a. Interentity imputed costs represent costs that are paid in total or in part by entities external to DoD. Costs displayed on the SNC include certain imputed costs as directed by OMB. All federal agencies are required to report imputed costs for the categories described below to ensure consistency in reporting across the Government. The recognition of interentity imputed costs includes the following three categories:

- (1) Employee pension, post retirement health, and life insurance benefits.
- (2) Other post employment benefits for retired, terminated, and inactive employees to include unemployment and workers compensation under the Federal Employees' Compensation Act.

(3) Losses in litigation proceedings. Federal Accounting Standards Advisory Board ([FASAB Interpretation Number 2, Accounting for Treasury Judgment Fund Transactions](#)), provides additional details for this cost category.

b. [SFFAS No. 30, Interentity Cost Implementation Amending SFFAS No. 4, Managerial Cost Accounting Standards and Concepts](#), requires entities to report the full cost of services provided by other entities whether or not the providing entity is fully reimbursed.

2. Intraentity Imputed Costs

a. Intraentity imputed costs represent costs that are paid in total or in part by other entities within DoD. Costs displayed on the SNC include intraentity imputed costs as required by [FASAB Interpretation Number 6, Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS No. 4](#). Imputed intraentity costs are the unreimbursed portion of the full costs of goods and services received by the entity from a providing entity that is part of the same entity or larger reporting entity (i.e. other bureaus, components, or responsibility segments within the entity or larger reporting entity.) An example of an intraentity imputed cost would be a DoD tenant receiving rent-free business space from another DoD entity. DoD FMR Volume 4, Chapter 6, Property, Plant, and Equipment, provides additional detail on intraentity costs for real property. DoD reporting entities shall report the following intraentity imputed costs:

(1) Imputed Costs for Military Pension Expense. DoD reporting entities shall recognize an imputed cost that is equal to the reported employer entity pension expense for the accounting period (as computed using factors provided by the Office of the Under Secretary of Defense (Personnel and Readiness) (OUSD(P&R))), less any accounting period contributions by the Military Departments to the Military Retirement Fund. Administrative entity expenses are reported only in the Military Retirement Fund audited financial statements.

(2) Imputed Costs for Military Health Benefits. DoD reporting entities shall recognize imputed costs equal to the employer entity expense for the military health benefits that is attributable to the Military Department (as computed using factors provided by the OUSD(P&R)) for the accounting period. The administrative entity for the military health benefits is the OUSD(P&R). The administrative entity's actual expenses are reported only in the Medicare Eligible Retiree Health Care Fund, Services Medical Activity, TRICARE Management Activity and Other Defense Organizations - General Funds financial statements.

b. DoD management, in accordance with the full cost provision of SFFAS No. 4, determines how intragovernmental costs incurred within DoD will be assigned, allocated or imputed for purposes of accounting for the full cost of a program and its output(s). As a result, recognition of intraentity imputed costs is not limited to specific cost categories as in the case of interentity imputed costs.

E. SFFAS No. 33. In FY 2010, the FASAB released SFFAS No. 33, Pensions, Other Retirement Benefits, and Other Postemployment Benefits; Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates. The standard requires entities reporting liabilities for Federal civilian and military employee pensions, other retirement benefits (ORB), and other postemployment benefits (OPEB), including veterans' compensation to report changes in those liabilities that result from gains and losses due to changes in long-term assumptions as a separate line item on the SNC.

050302. Line Item Instructions

The Department of the Treasury provides a crosswalk on their website, www.fms.treas.gov/ussgl, detailing the United States Standard General Ledger (USSGL) accounts and attributes that are to be included in each line item of the SNC. The Defense Finance and Accounting Service (DFAS) ensures the Defense Departmental Reporting System, Audited Financial Statements (DDRS AFS) is updated with all crosswalk changes made by the Department of the Treasury.

A. Program Costs - Line 1. This line includes the full costs of each program's output. It consists of both direct and indirect costs of the output and the costs of identifiable supporting services provided by other segments within the reporting entity and by other reporting entities. To the extent accounting systems and defined DoD business rules allow, the reporting entity shall accumulate and assign costs using the costing methodology found in SFFAS No. 4. Program costs also include any nonproduction costs that can be assigned to the program but not to its outputs. Costs related to the production of outputs shall be reported separately from nonproduction costs that cannot be traced to the production of outputs. The costs of program outputs include costs of services provided by other entities whether or not the providing entity is fully reimbursed.

* 1. The cost of Stewardship Property, Plant, and Equipment (PP&E) will be recognized as a cost in the SNC in the period it is incurred reported separately from other nonproduction costs and disclosed in Note 18. This includes the cost of acquiring, constructing, improving, reconstructing, or renovating heritage assets, other than multi-use heritage assets, and the cost of acquiring stewardship land. The entity received the funds reports these costs and separately discloses them in Note 18. Report heritage assets and stewardship land in terms of physical units in the Property, Plant and Equipment note to the financial statements. See Chapter 10, Section 1012 of this volume of the DoD FMR. Additional information can also be obtained in SFFAS No. 29, Heritage Assets and Stewardship Land.

2. Reporting entities shall consider differentiating other significant costs when, by doing so, the usefulness of the statements would be improved either because the amount of a particular cost is large or because of its special nature. Elements of other nonproduction costs are considered significant when the element represents 10 percent or more of the value of the line.

B. Gross Costs - Line 1.A. This line contains costs that arise from the purchase of goods or services. The effects of intraentity business transactions are eliminated in

the reporting entity's statements. See Chapter 13 of this volume for elimination reporting requirements.

C. Less: Earned Revenues - Line 1.B. This line contains exchange revenues that arise when a federal entity provides goods and services to the public or another government entity for a price. The full amount of exchange revenue is reported on the SNC or supplementary schedule regardless of whether the entity is permitted to retain the revenue in whole or in part. Any portion of exchange revenue of the entity that cannot be retained by the entity is reported as a transfer out on the Statement of Changes in Net Position. An example of the transfer out of exchange revenue would result when interest on delinquent receivables is collected and transferred to the U.S. Treasury. See Chapter 13 of this volume for elimination reporting requirements.

1. Deduct earned revenue from the full cost of outputs or outcomes to determine their net cost unless it is not practical or reasonably possible to do so. If that cannot be done, deduct earned revenue from the gross cost of programs to determine the net program costs. When that is not practical or reasonably possible, deduct earned revenue from the costs of suborganizations to determine the suborganizations' net cost of operations.

2. There are no precise guidelines for determining the degree to which earned revenue reasonably can be attributed to outputs, outcomes, programs, or suborganizations. The attribution of earned revenue requires the exercise of managerial judgment. In exercising this judgment, it is important to give readers of the SNC the ability to ascertain whether exchange revenues are sufficient to cover the costs incurred to produce the goods or services involved.

* D. Losses/(Gains) from Actuarial Assumption Changes for Military Requirement Benefits – Line 2. This line contains gains and losses from changes in long-term assumptions used to measure military retirement benefits (i.e., Military Retirement Fund and Medicare-Eligible Retiree Health Care Fund). See SFFAS No. 33 for further guidance on gains and losses from long-term assumptions.

E. Net Program Expenses Including Assumption Changes - Line 3

1. A reporting entity and its suborganizations may incur:

a. High-level general management and administrative support costs that cannot be directly traced, assigned on a cause and effect basis, or reasonably allocated to segments and their outputs.

b. Nonproduction costs that cannot be assigned to a particular program.

2. These costs are part of the entity and suborganization costs and should be reported on the Statement of Net Cost as "Costs Not Assigned to Programs." Exchange transactions resulting in the recognition of "Extraordinary" items not properly

assignable to specific programs shall be included in this line. Extraordinary items are costs or income so unusual in type or amount as to be accorded special treatment in the general ledger accounts. Disclose extraordinary items if they represent 10 percent or more of this line.

* F. Costs Not Assigned to Programs – Line 4

1. A reporting entity and its suborganizations may incur:

a. High-level general management and administrative support costs that cannot be directly traced, assigned on a cause and effect basis, or reasonably allocated to segments and their outputs.

b. Nonproduction costs that cannot be assigned to a particular program.

2. These costs are part of the entity and suborganization costs and should be reported on the Statement of Net Cost as “Costs Not Assigned to Programs.” Exchange transactions resulting in the recognition of “Extraordinary” items not properly assignable to specific programs shall be included in this line. Extraordinary items are costs or income so unusual in type or amount as to be accorded special treatment in the general ledger accounts. Disclose extraordinary items if they represent 10 percent or more of this line.

G. Less: Earned Revenue Not Attributable to Programs - Line 5. Earned revenue that is insignificant or cannot be attributed to particular outputs or programs is reported separately as a deduction.

H. Net Cost of Operations – Line 6. This line is the gross cost incurred by the reporting entity less any exchange revenue earned from its activities. This amount represents the net cost of a suborganization or entity that must be financed by sources other than exchange revenues. The financing sources required to fund the “Net Cost of Operations” are reported on the Statement of Changes in Net Position.

0504 PROGRAM PRESENTATION

*050401. DoD Agency-wide Program Presentation

Report the program data from the SNC for the consolidated DoD financial statements by major appropriation grouping until financial processes and systems are upgraded. The **seven** appropriation groupings to be reported are:

A. Military **Retirement Benefits**

B. Civil Works

- C. [Military Personnel](#)
- D. [Operations, Readiness and Support](#)
- E. Procurement
- F. Research, Development, Test, and Evaluation
- G. Family Housing and Military Construction

050402. DoD Reporting Entities

Managers of the DoD reporting entities identified in Chapter 1 of this volume may report the program distribution of net costs by existing entity program units or by appropriation grouping as specified in paragraph 050401. If management chooses a program distribution other than by the appropriation group in paragraph 050401, a supplemental SNC by appropriation grouping must be provided. This supplemental schedule is required in order to prepare the consolidated DoD SNC.

*Figure 5-1 Statement of Net Cost

DEPARTMENT OF DEFENSE				
[Agency]				
STATEMENT OF NET COST				
FOR THE YEARS ENDED SEPTEMBER 30, 20(CY) AND 20(PY)				
(Amounts in dollars and cents)	Current Year		Prior Year	
1. Program Costs:				
A. Gross Costs				
Military Retirement Benefits	\$	\$\$\$	\$	\$\$\$
Civil Works		\$\$\$		\$\$\$
Military Personnel		\$\$\$		\$\$\$
Operations, Readiness & Support		\$\$\$		\$\$\$
Procurement		\$\$\$		\$\$\$
Research, Development, Test & Eval		\$\$\$		\$\$\$
Family Housing & Military Construction		\$\$\$		\$\$\$
B. (Less: Earned Revenue)		(\$\$\$)		(\$\$\$)
C. Net Costs before Losses/Gains from Actuarial Assumption Changes for Military Retirement Benefits	\$	\$\$\$	\$	\$\$\$
2. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits				
		\$\$\$		\$\$\$
3. Net Program Expenses Including Assumption Changes				
	\$	\$\$\$		\$\$\$
4. Costs Not Assigned to Program				
		\$\$\$		\$\$\$
5. (Less: Earned Revenue Not Attributable to Programs)				
		(\$\$\$)		(\$\$\$)
6. Net Cost of Operations				
	\$	\$\$\$	\$	\$\$\$
The accompanying notes are an integral part of these financial statements.				

*Figure 5-1 Statement of Net Cost

*Figure 5-2 Consolidating Statement of Net Cost

DEPARTMENT OF DEFENSE [REPORTING ENTITY] STATEMENT OF NET COST <i>For the Years Ended September 30, 20(CY) and 20(PY)</i>									
	Subentity A	Subentity B	Subentity C	Combined Total	Elimination	20(CY) Consolidated	20(PY) Consolidated		
1. Program Costs									
Military Retirement Benefits									
A. Gross Costs	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$\$\$
B. (Less: Earned Revenue)		(\$\$\$)		(\$\$\$)		(\$\$\$)		(\$\$\$)	(\$\$\$)
C. Net Cost before Losses/Gains from Actuarial	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$\$\$
Assumption Changes for Military Retirement									
Civil Works									
A. Gross Costs	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$\$\$
B. (Less: Earned Revenue)		(\$\$\$)		(\$\$\$)		(\$\$\$)		(\$\$\$)	(\$\$\$)
C. Net Cost before Losses/Gains from Actuarial	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$\$\$
Assumption Changes for Military Retirement									
Military Personnel									
A. Gross Costs	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$\$\$
B. (Less: Earned Revenue)		(\$\$\$)		(\$\$\$)		(\$\$\$)		(\$\$\$)	(\$\$\$)
C. Net Cost before Losses/Gains from Actuarial	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$\$\$
Assumption Changes for Military Retirement									
Operations, Readiness & Support									
A. Gross Costs	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$\$\$
B. (Less: Earned Revenue)		(\$\$\$)		(\$\$\$)		(\$\$\$)		(\$\$\$)	(\$\$\$)
C. Net Cost before Losses/Gains from Actuarial	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$\$\$
Assumption Changes for Military Retirement									
Procurement									
A. Gross Costs	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$\$\$
B. (Less: Earned Revenue)		(\$\$\$)		(\$\$\$)		(\$\$\$)		(\$\$\$)	(\$\$\$)
C. Net Cost before Losses/Gains from Actuarial	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$\$\$
Assumption Changes for Military Retirement									
Research, Development, Test & Evaluation									
A. Gross Costs	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$\$\$
B. (Less: Earned Revenue)		(\$\$\$)		(\$\$\$)		(\$\$\$)		(\$\$\$)	(\$\$\$)
C. Net Cost before Losses/Gains from Actuarial	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$\$\$
Assumption Changes for Military Retirement									
Family Housing & Military Construction									
A. Gross Costs	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$\$\$
B. (Less: Earned Revenue)		(\$\$\$)		(\$\$\$)		(\$\$\$)		(\$\$\$)	(\$\$\$)
C. Net Cost before Losses/Gains from Actuarial	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$\$\$
Assumption Changes for Military Retirement									
2. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$\$\$
3. Net Program Expenses Including Assumption Changes	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$\$\$
4. Costs Not Assigned to Programs:									
5. (Less: Earned Revenue Not Attributable to Programs)		(\$\$\$)		(\$\$\$)		(\$\$\$)		(\$\$\$)	(\$\$\$)
6. Net Cost of Operations	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$\$\$

The accompanying notes are an integral part of these statements.

*Figure 5-2 Consolidating Statement of Net Cost

VOLUME 6B, CHAPTER 6: “STATEMENT OF CHANGES IN NET POSITION”**SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated May 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter to reflect the current reporting format for Dedicated Collections as prescribed in Statement of Federal Financial Accounting Standards (SFFAS) Number 43 “Dedicated Collections: Amending SFFAS 27, Identifying and Reporting Earmarked Funds”.	Update

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CHAPTER 6**STATEMENT OF CHANGES IN NET POSITION****0601 OVERVIEW****060101. Purpose**

This chapter prescribes the policy surrounding preparation of the Department of Defense (DoD) Statement of Changes in Net Position (SCNP). It provides details for the formatting required for the SCNP and instructions for preparing the Cumulative Results of Operations and Unexpended Appropriations sections thereof.

060102. Scope

The requirements of this chapter apply to all reporting entities found in section 0105 of Chapter 1. SCNP reports the change in net position during the reporting period. Guidance from Office of Management and Budget (OMB) Circular [A-136](#), “Financial Reporting Requirements” and Treasury Financial Manual (TFM), Volume 1, Part 2, Chapter 4700, “Agency Reporting Requirements for the Financial Report of the United States (U.S.) Government” ([TFM 2-4700](#)) are incorporated throughout this chapter.

0602 FORMAT FOR THE STATEMENT OF CHANGES IN NET POSITION**060201. General Information**

SCNP reports the change in net position during the reporting period. The net position is affected by changes to its two components: Cumulative Results of Operations and Unexpended Appropriations. SCNP format displays both components of net position separately to enable the user to better understand the nature of changes to net position as a whole.

060202. Format for the SCNP

SCNP will be prepared in accordance with the format presented in Figure 6-1. The working versions of all statements and notes shall include line numbers as shown in Figure 6-1. All amounts are in dollars and cents in the working versions of the statements and notes in order to facilitate communication among the preparers, the reviewers, and the auditors during the financial statements preparation process. This process minimizes the additional time and workload required to round and reconcile dollar amounts.

060203. Format for the Final Published SCNP

The final published DoD principal statements, including the SCNP, and notes to the principal statements display dollars rounded to millions with one decimal point. All Component statements, and notes to the statements, display dollar amounts rounded to the nearest thousand on the final published principal statements and in the tables/schedules contained in the notes to

the principal statements. Dollar amounts in note narratives shall be reported with a maximum of three position integers and a single decimal value followed by an identifier, such as millions or billions (e.g., \$340.1 million, not \$340,100 thousand). The line numbers shown in Figure 6-1 are for reference purposes only. Line number references are not included on the final published statements.

0603 INSTRUCTIONS FOR THE PREPARATION OF THE STATEMENT OF CHANGES IN NET POSITION

*060301. General Instructions

A. Preparation. SCNP is prepared from information utilizing Department of the Treasury United States Standard General Ledger (USSGL) accounts and crosswalks. System users can access crosswalk information within the USSGL section of the [TFM](#) for current fiscal year reporting. The crosswalk for each line of the SCNP is included in the Defense Departmental Reporting System - Audited Financial Statements ([DDRS-AFS](#)). Authorized DDRS users may access the most current mapping of the SCNP by selecting “Query” from the main DDRS-AFS menu, then selecting “Referential Data”, and then SCNP under one of the “Report Map” options.

B. Dedicated Collections. Generally, funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute for designated benefits, activities, or purposes, and must be reported separately from the Federal government’s general revenues. The Statement of Federal Financial Accounting Standards [SFFAS Number 43](#), “Dedicated Collections: Amending SFFAS 27, Identifying and Reporting Earmarked Funds,” contains the complete definition and criteria for dedicated collections. Report the portions of Cumulative Results of Operations and Unexpended Appropriations attributable to dedicated collections in Note 23, “Funds from Dedicated Collections” of the notes to the financial statements.

C. Prior Period Adjustments. A prior period adjustment is an adjustment to balances of a prior period due to a change in accounting principle or correction of a material error (or an aggregation of errors). Prior period adjustments for correction of material errors require restatement of prior period balances, while adjustments for changes in accounting principles generally do not. Immaterial errors will be corrected in the period discovered, using the accounts that would have been posted had the transactions occurred in the current period. Refer to [SFFAS Number 21](#), “Reporting Corrections of Errors and Changes in Accounting Principles,” and the [Prior-Period and Prior-Year Adjustment Scenarios](#) for additional guidance.

1. Requests for Prior Period Adjustments. Prior period adjustments will be included in the quarterly financial statements in accordance with the guidance found in Section 405 of the DoD Audited Financial Statements Reporting and Analysis (DoD AFSR&A) Financial Reporting Guidance, hereafter referred to as “[DoD AFSR&A Guidance](#)”. Components should not record prior period adjustments in USSGL accounts without prior approval

from DoD AFSR&A. Forward all requests for prior period adjustments, accompanied by supporting documentation, to DoD AFSR&A.

2. Calculating Materiality. Calculate materiality separately at the DoD reporting entity level, and against a materiality base. If the misstatement involves assets, then the materiality base should be total assets. If it involves liabilities, then the base should be total liabilities. If it involves expenses, then the materiality base should be total expenses. Calculate the materiality base net of intragovernmental balances. For DoD reporting entities, an error (or aggregate of errors) is material when it equals or exceeds one percent of the materiality base. See the [DoD AFSR&A Guidance](#) for additional information.

3. Disclosure of Prior Period Adjustments. Prior period adjustments that require restatements are included in Note 26, “Restatements”. Note disclosures to the principal financial statements are included in Chapter 10. This includes the nature of the errors and the effect on relevant balances in the current period. Financial statements of subsequent periods need not repeat the full disclosures, but should disclose whether there are prior period adjustments not reflected in comparative balances. Disclose the nature of a prior period adjustment as the result of a change in accounting principle in accordance with the guidance found in Note 19, “Disclosures related to the Statement of Changes in Net Position” of Chapter 10.

4. Restatements. A note disclosure is required when management becomes aware of a potential misstatement due to material error(s) whether or not the exact amount is known or has been corrected at the time financial statements are prepared. The required information for restatement disclosures is included in Note 26 of Chapter 10.

5. Management’s Responsibility and Notification of Auditors. Upon discovery that material errors escaped detection and were included in the published audited financial statements, management shall assume responsibility for any false or misleading information in the financial statements or omissions that render information or disclosures made in the financial statements misleading. As soon as possible after the detection of an error, management shall notify their auditors and inform the primary users of their financial statements of the error and management’s plans to correct it in the financial statements. Components with prior period adjustments will immediately notify DoD AFS Oversight and Analysis (O&A) of the material error. The Office of the Secretary of Defense (OSD) will make the formal notification to Congress and OMB. The general public can see the revised statements on the [Office of the Under Secretary of Defense \(Comptroller\) \(OUSD\(C\)\)](#) web site.

6. Auditor’s Responsibility. Auditors are bound by the requirements of the American Institute of Certified Public Accountants (AICPA) professional audit standards, Volume 1, AU [Section 561](#), “Subsequent Discovery of Facts Existing at the Date of the Auditor’s Report.” Based on this guidance, the auditors determine whether action is required to prevent future reliance on the published audit report. The auditors may determine that revised financial statements and a revised auditor’s report are required. The auditors may decide to change the audit opinion if it is determined that subsequently discovered information is not reliable.

Therefore, it is imperative management work with their auditor as soon as possible after the detection of an error and assist in any actions to resolve the audit finding.

060302. Line Item Instructions for the Preparation of the SCNP

A. Section Heading - Cumulative Results Of Operations. This section displays the beginning balances brought forward from the prior year, in addition to any prior period adjustments which affect the beginning balance.

B. Beginning Balances, Line 1. The total for beginning balances for the Consolidated Cumulative Results of Operations shall agree with the total of the ending balances for Consolidated Cumulative Results of Operations of the prior year.

C. Prior Period Adjustments, Line 2. Report prior period adjustments separately for Changes in accounting principles (Line 2.A) and Corrections of errors (Line 2.B).

1. Changes in accounting principles, Line 2.A. A change in accounting principle is a change from one generally accepted accounting principle (GAAP) to another one that can be justified as preferable. Adoption of a new SFFAS is a change in accounting principle. Unless otherwise specified in transitioning instructions of a new SFFAS, report the cumulative effect of the change on prior periods on this line. Record the adjustment to the beginning balance of Cumulative Results of Operations in the SCNP for the period that the change is made. Prior period financial statements will not be restated (see [SFFAS Number 21](#)).

2. Corrections of errors, Line 2.B. Errors in financial statements can result from mathematical mistakes, mistakes in the application of accounting principles, and/or oversight or misuse of the facts that existed at the time the financial statements were prepared. For errors discovered after the issuance of the financial statements, if the misstatement to the financial statements is material absent correction of the errors, then corrections are required and treated as prior period adjustments. Use the following criteria to determine proper display of financial statements containing material corrections of errors in prior periods (see [SFFAS Number 21](#)).

a. When only the current period statements are presented, report the cumulative effect of correcting the error as a prior period adjustment on Line 2.B., "Corrections of errors", and the beginning position restated on Line 3, "Beginning Balances, as adjusted".

b. When comparative financial statements are presented, correct the error in the earliest affected period presented by correcting any individual amounts on the financial statements. If the earliest period presented is not the period in which the error occurred and the cumulative effect is attributable to prior periods, report the cumulative effect as a prior period adjustment on Line 2.B., "Corrections of errors", of the earliest period presented. The beginning position of the earliest period presented is also restated on Line 3, "Beginning balances, as adjusted".

D. Beginning balances, as adjusted, Line 3. This line is the sum of the beginning balances of Cumulative Results of Operations and prior period adjustments.

E. Budgetary Financing Sources, Line 4. This section displays financing sources and nonexchange revenue that are also budgetary resources or adjustments to those resources, as reported on the Statement of Budgetary Resources (SBR) and defined as such by OMB Circular [A-11](#), "Preparation, Submission, and Execution of the Budget," as amended.

1. Other adjustments (+/-), Line 4.A. This amount includes adjustments to Cumulative Results of Operations that also have an impact on budgetary resources.

2. Appropriations used, Line 4.B. Appropriations are considered used as a financing source when goods and services are received or benefits are provided. This statement is true whether the goods, services, and benefits are payable or paid as of the reporting date and whether the appropriations are used for items that are expensed or capitalized. Appropriations used does not include undelivered orders or unobligated appropriations. Appropriations used does not increase Net Position since it is subtracted from Unexpended Appropriations and added to Cumulative Results of Operations for a net zero effect on Net Position as a whole.

3. Nonexchange revenue, Line 4.C. Nonexchange revenues include revenues the Federal Government is able to demand or receive due to its sovereign powers. [SFFAS Number 7](#) "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting" discusses the recognition and measurement criteria for taxes and other nonexchange revenues.

4. Donations and forfeitures of cash and cash equivalents, Line 4.D. This amount includes voluntary gifts and involuntary forfeitures of resources to the Federal Government by nonfederal entities. Donations of financial resources include cash and securities. This amount includes the forfeiture of seized cash and cash equivalents.

5. Transfers-in/out without reimbursement (+/-), Line 4.E. This amount includes intragovernmental balance transfers-in or out during the current reporting year that do not represent appropriation transfers. This line includes financing sources and revenue not reported as Unexpended Appropriations. Recognize exchange revenue (included in calculating an entity's net cost of operations) transferred to the Department of Treasury or another Federal entity as a transfer-out.

6. Other budgetary financing sources (+/-), Line 4.F. This line includes other financing sources that affect budgetary resources and are not included in Lines 4.A through 4.E. Disclose in Note 19 of Chapter 10 all items equaling 10 percent or more of the value reported on Line 4.F.

F. Other Financing Sources, Line 5. This section displays financing sources and nonexchange revenue that do not represent budgetary resources reported on the SBR and are not defined by OMB Circular [A-11](#).

1. Donations and forfeitures of property, Line 5.A. This amount includes voluntary gifts and involuntary forfeitures of resources to the Federal Government by nonfederal entities, such as land or buildings. [SFFAS Number 6](#), "Accounting for Property, Plant, and Equipment (PP&E)," contains additional guidance for reporting revenue arising from donations/involuntary forfeitures of non financial resources.

2. Transfers-in/out without reimbursement (+/-), Line 5.B. This amount includes intragovernmental transfers-in/out of capitalized assets during the current reporting year. Record the amount of the transfer at the net book value of the transferring entity. If the net book value is unknown, then the amount recognized will be the asset's estimated fair value at the date of the transfer. Both parties to the transfer must confer when fair value is used to ensure balanced intragovernmental entries.

3. Imputed financing from costs absorbed by others, Line 5.C. This amount includes financing of certain costs by one Federal entity on behalf of another Federal entity. Imputed financing equals the amount of imputed costs reported on the Statement of Net Cost (SNC). Refer to [SFFAS Number 4](#), "Managerial Cost Accounting Standards and Concepts," and [Interpretation 6](#), "Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS 4" for additional guidance on the recognition of inter-entity and material intra-entity unreimbursed costs.

4. Other (+/-), Line 5.D. This line includes other financing sources that do not represent budgetary resources and are not included in Lines 5.A through 5.C. Disclose in Note 19 of Chapter 10 all items equaling 10 percent or more of the value reported on Line 5.D.

G. Total Financing Sources, Line 6. This line is a summation of Budgetary Financing Sources (Lines 4.A through 4.F) and Other Financing Sources (Lines 5.A through 5.D).

H. Net Cost of Operations (+/-), Line 7. This consolidated amount should agree with the net cost of operations as reported on the SNC. The Net Cost of Operations is subtracted from the Line 6, "Total Financing Sources" and Line 3, "Beginning balances, as adjusted"; to yield the ending balance of Line 16, "Net Position".

I. Net Change, Line 8. This line represents the net change in Cumulative Results of Operations during the period. Subtract Line 7, "Net Cost of Operations", from Line 6, "Total Financing Sources".

J. Cumulative Results of Operations, Line 9. Add Line 8, "Net Change" to Line 3, "Beginning balances, as adjusted".

K. Section Heading – Unexpended Appropriations. This section displays the unexpended balances brought forward from the prior period, in addition to any prior period adjustments which affect the beginning balance.

L. Beginning Balances, Line 10. The total for beginning balances for the consolidated Unexpended Appropriations shall agree with the total of the ending balances for consolidated Unexpended Appropriations of the prior year.

M. Prior Period Adjustments, Line 11. Report prior period adjustments separately for Changes in accounting principles (Line 11.A) and Corrections of errors (Line 11.B).

1. Changes in accounting principles, Line 11.A. A change in accounting principle is a change from one GAAP to another GAAP that can be justified as preferable. Changes in accounting principles include those that result from the adoption of new SFFAS. This line reports the cumulative effect of the change on prior periods as a change in accounting principle. Do not restate the prior periods financial statements (see [SFFAS Number 21](#)).

2. Corrections of errors, Line 11.B. Errors in financial statements can result from mathematical mistakes, mistakes in the application of accounting principles, and/or oversight or misuse of the facts that existed at the time the financial statements were prepared. For errors discovered after the issuance of the financial statements, if the misstatement to the financial statements is material absent correction of the errors, then corrections are required and treated as prior period adjustments. Use the following criteria to determine proper display of financial statements containing material corrections of errors in prior periods (see [SFFAS Number 21](#)).

a. When only the current period statements are presented, report the cumulative effect of correcting the error as a prior period adjustment on Line 11.B, “Corrections of errors”, and restated on Line 12, “Beginning balances, as adjusted”.

b. When comparative financial statements are presented, correct the error in the earliest affected period presented by correcting any individual amounts on the financial statements. If the earliest period presented is not the period in which the error occurred and the cumulative effect is attributable to prior periods, report the cumulative effect as a prior period adjustment on Line 11.B, “Corrections of errors”, of the earliest period presented. The beginning position of the earliest period presented is restated on Line 12, “Beginning balances, as adjusted”.

N. Beginning balances, as adjusted, Line 12. This line is the sum of the adjusted beginning balances of Unexpended Appropriations and prior period adjustments.

O. Budgetary Financing Sources, Line 13. This section displays financing sources that represent budgetary resources or adjustments to those resources, as reported on the SBR and defined by OMB Circular [A-11](#).

1. Appropriations received, Line 13.A. This amount includes appropriations received during the current reporting period. This amount does not always agree with the appropriations received amount reported on the SBR because of differences between proprietary and budgetary accounting concepts and reporting requirements. For example, certain [dedicated collections](#) are recorded as appropriations received on the SBR, but are recognized as

exchange or nonexchange revenue (i.e., in special and nonrevolving trust funds) and reported on the SCNP in accordance with [SFFAS Number 7](#).

2. Appropriations transferred-in/out (+/-), Line 13.B. This line is the amount of appropriations that have been transferred-in or out during the current reporting year.

3. Other adjustments (rescissions, etc.) (+/-), Line 13.C. This amount includes adjustments to unexpended appropriations. Some examples of adjustments include rescissions of appropriations and cancellations of expired appropriations/expenditure accounts.

4. Appropriations used, Line 13.D. Appropriations are considered used as a financing source when goods and services are received or benefits are provided. This statement is true whether the goods, services, and benefits are payable or paid as of the reporting date and whether the appropriations are used for items that are expensed or capitalized. Appropriations used does not include undelivered orders or unobligated appropriations. Appropriations used does not increase Net Position since it is subtracted from Unexpended Appropriations and added to Cumulative Results of Operations for a net zero effect on Net Position as a whole.

P. Total Budgetary Financing Sources, Line 14. This line is a summation of Budgetary Financing Sources (Lines 13.A through 13.D).

Q. Unexpended Appropriations, Line 15. This line represents the total amount of Unexpended Appropriations for the period. The calculated value results from adding Line 14, "Total Budgetary Financing Sources" to Line 12, "Beginning balances, as adjusted".

R. Net Position, Line 16. This line represents the summation of Line 9, "Cumulative Results of Operations" and Line 15, "Unexpended Appropriations". The value for this line must agree with the Total Net Position reported on the Balance Sheet.

*Figure 6-1. Statement of Changes in Net Position

Department of Defense Reporting Entity Statement of Changes in Net Position For the Years Ending September 30 2XXX and 2XXX		
	Current Year	Prior Year
CUMULATIVE RESULTS OF OPERATIONS:		
1. Beginning Balances	\$ XXX	\$ XXX
2. Prior Period Adjustments:		
2.A Changes in accounting principles	\$ XXX	\$ XXX
2.B Corrections of errors (+/-)	\$ XXX	\$ XXX
3. Beginning balances, as adjusted (Includes Funds from Dedicated Collections - See Note 23)	\$ XXX	\$ XXX
4. Budgetary Financing Sources:		
4.A Other adjustments (+/-)	\$ XXX	\$ XXX
4.B Appropriations used	\$ XXX	\$ XXX
4.C Nonexchange revenue	\$ XXX	\$ XXX
4.D Donations and forfeitures of cash and cash equivalents	\$ XXX	\$ XXX
4.E Transfers-in/out without reimbursement (+/-)	\$ XXX	\$ XXX
4.F Other budgetary financing sources (+/-)	\$ XXX	\$ XXX
5. Other Financing Sources:	\$ XXX	\$ XXX
5.A Donations and forfeitures of property	\$ XXX	\$ XXX
5.B Transfers-in/out without reimbursement (+/-)	\$ XXX	\$ XXX
5.C Imputed financing from costs absorbed by others	\$ XXX	\$ XXX
5.D Other (+/-)	\$ XXX	\$ XXX

*Figure 6-1. Statement of Changes in Net Position (continued)

Department of Defense Reporting Entity Statement of Changes in Net Position For the Years Ending September 30 2XXX and 2XXX		
	Current Year	Prior Year
6. Total Financing Sources (Includes Funds from Dedicated Collections - See Note 23)	\$ XXX	\$ XXX
7. Net Cost of Operations (+/-) (Includes Funds from Dedicated Collections - See Note 23)	\$ XXX	\$ XXX
8. Net Change	\$ XXX	\$ XXX
9. Cumulative Results of Operations (Includes Funds from Dedicated Collections - See Note 23)	\$ XXX	\$ XXX
UNEXPENDED APPROPRIATIONS		
10. Beginning Balances (Includes Funds from Dedicated Collections - See Note 23)	\$ XXX	\$ XXX
11. Prior Period Adjustments:		
11.A Changes in accounting principles	\$ XXX	\$ XXX
11.B Corrections of errors (+/-)	\$ XXX	\$ XXX
12. Beginning balances, as adjusted	\$ XXX	\$ XXX
13. Budgetary Financing Sources:		
13.A Appropriations received	\$ XXX	\$ XXX
13.B Appropriations transferred-in/out (+/-)	\$ XXX	\$ XXX
13.C Other adjustments (rescissions, etc.) (+/-)	\$ XXX	\$ XXX
13.D Appropriations used	\$ XXX	\$ XXX
14. Total Budgetary Financing (Includes Funds from Dedicated Collections - See Note 23)	\$ XXX	\$ XXX
15. Unexpended Appropriations (Includes Funds from Dedicated Collections - See Note 23)	\$ XXX	\$ XXX
16. Net Position	\$ XXX	\$ XXX

VOLUME 6B, CHAPTER 7: “STATEMENT OF BUDGETARY RESOURCES”**SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated May 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded and reformatted chapter for clarity and ease of reading. Revised electronic links in accordance with Financial Management Regulation (FMR) updating procedures.	Update
All	Updated the chapter to reflect the new version of the Statement of Budgetary Resources (SBR) prescribed in Office of Management and Budget (OMB) Circular A-136 “Financial Reporting Requirements”.	Update
All	Revised references to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) Financial Reporting Guidance. This guidance is now produced by DoD Audited Financial Statements Reporting & Analysis.	Update
All	Updated the reconciliation requirements for the SBR to the Federal Agencies’ Centralized Trial-Balance System II (FACTS II).	Update
070301	Added information for obtaining crosswalk information from the Defense Department Reporting System – Audited Financial Statements (DDRS-AFS).	Add
070302	Revised the line item instructions used for preparing the updated SBR according to OMB Circular A-136 guidance.	Update
070302.E.9.d	Added references to the Treasury Financial Manual (TFM) chapters which contain additional information for the Standard Form (SF) 224 “Statement of Transactions” (SOT) and SF 1220 “Statement of Transactions According to Appropriations, Funds, and Receipt Accounts and Instructions”.	Add
070401	Revised the list of reporting entities responsible for submitting disaggregated SBRs.	Update

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Figure 1	Updated Figure 1 to reflect the new version of the SBR prescribed in OMB Circular A-136.	Update
Figure 2	Included new figure illustrating the Statement of Disaggregated Budgetary Resources.	Add

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CHAPTER 7

STATEMENT OF BUDGETARY RESOURCES

0701 OVERVIEW

*070101. Purpose

This chapter prescribes the policy surrounding preparation of the Department of Defense (DoD) Statement of Budgetary Resources (SBR). It provides details for the formatting used in various versions of the SBR and instructions for preparing the Budgetary Resources, Status of Budgetary Resources, Change in Obligated Balance and [Budget Authority and Outlays, Net](#) sections thereof.

*070102. Scope

The SBR and related disclosures provide information about how budgetary resources were made available as well as their status at the end of the period. It is the only financial statement predominately derived from an entity's budgetary general ledger in accordance with budgetary accounting rules. Guidance from Office of Management and Budget (OMB) Circular [A-11](#), "Preparation, Submission, and Execution of the Budget"; OMB Circular [A-136](#), "Financial Reporting Requirements"; and Treasury Financial Manual (TFM), Volume 1, Part 2, Chapter 4700, "Agency Reporting Requirements for the Financial Report of the United States (U.S.) Government" ([TFM](#)) [2-4700](#) are incorporated throughout this chapter.

0702 FORMAT FOR THE STATEMENT OF BUDGETARY RESOURCES

*070201. Format for the Working Version of the SBR

The format of the SBR is based on the [Standard Form \(SF\) 133](#), "Report on Budget Execution and Budgetary Resources." [General reporting requirements for the SF 133 are contained in Section 130 of OMB Circular A-11.](#) The SBR is prepared at the DoD Component level and is a summarization of the individual appropriation account level SF 133s. The format presented in Figure 7-1 is used for the working version of the combined SBR. All amounts are in dollars and cents in the working versions of the statements and notes in order to improve communication among the preparers, the reviewers, and the auditors during the financial statements preparation process. This minimizes the additional time and workload required to round and reconcile dollar amounts. [OMB guidance \(Circular A-136\) requires that the DoD distinguish between budgetary and nonbudgetary credit program financing accounts, and identify net outlays of specific distributed offsetting receipt values.](#) The "Nonbudgetary [Credit Reform Financing Account](#)" section of the SBR is reserved for reporting general ledger account balances for financing and loan guarantee accounts [included in section 185.11 of OMB Circular A-11.](#) [Data requirements for the respective schedules used to report financing and loan guarantee account balances are included in section 185.11.](#) The SBR facilitates the reconciliation of information among the statement, [Federal Agencies' Centralized Trial-Balance System II \(FACTS II\) submissions](#), and actual information reported in the Budget of the U.S. Government.

OMB Circular A-136 provides the reconciliation requirements for the SBR to FACTS II. The DoD Audited Financial Statements Reporting and Analysis ([DoD AFSR&A](#)) Financial Reporting Guidance (Annual and Quarterly Guidance, hereafter referred to as “DoD AFSR&A Guidance”) provides additional instructions for this reconciliation.

The following are DoD nonbudgetary financing and loan guarantee accounts:

21X4275	Arms Initiative, Guaranteed Loan Financing Account, Army
97X4166	Department of Defense Family Housing Improvement Fund, Direct Loan, Financing Account
97X4167	Department of Defense Family Housing Improvement Fund, Guaranteed Loan, Financing Account
97X4168	Defense Export Loan Guarantees, Financing Account

The following are Executive Office of the President accounts administered by DoD that should be reported as nonbudgetary financing and loan guarantee accounts:

11X4121	Foreign Military Loan Liquidating Account, Funds Appropriated to the President
11X4122	Foreign Military Financing, Direct Loan Financing Account, Funds Appropriated to the President
11X4174	Military Debt Reduction Financing Account

070202. Format for the SBR

The final published DoD principal statements and the notes to the principal statements display dollars rounded to millions with one decimal point. Component principal statements and the notes to the principal statements display dollar amounts rounded to the nearest thousand on the final published principal statements and in the tables/schedules contained in the notes to the principal statements. Dollar amounts in note narratives are reported with a maximum of three positions integers and a single decimal value followed by an identifier, such as millions or billions (e.g., \$340.1 million, not \$340,100 thousand). The line numbers on the working versions of all statements, including the illustrative DoD statements, are for reference purposes only. Line number references are not included on final published statements.

*070203. Note Disclosure

Material differences between amounts reported on the financial statements and budgetary reports must be fully explained in Note 20. See the [DoD AFSR&A Guidance](#) for additional information. These material disclosures are consistent with the reconciliation requirements for the SBR, [FACTS II](#), and other budgetary reporting, i.e., information reported on the Budget of the U.S. Government. Any material changes to budgetary information subsequent to the publication of the audited SBR must be discussed between the Component and their auditor to determine whether a restatement or note disclosure is necessary. Note 20 discloses any material differences between comparable information contained in the SBR and the Budget of the U.S. Government at the Agency-wide level. Statement of Federal Financial Accounting Standards

[\(SFFAS\) Number 7](#), “Accounting for Revenue and Other Financing Sources” contains the guidance for the explanation.

0703 INSTRUCTIONS FOR THE PREPARATION OF THE STATEMENT OF BUDGETARY RESOURCES

*070301. General Instructions for the Preparation of the SBR

Information on the SBR shall be consistent with budget execution information reported on [FACTS II submissions](#) and with information reported in the Budget of the U.S. Government. The SBR is prepared from information utilizing Department of the Treasury United States Standard General Ledger (USSGL) [accounts](#) and crosswalks. The Department of the Treasury USSGL [information](#) and crosswalks [for the SBR](#) are [contained](#) on the [Treasury](#) website. The crosswalk for each line of the SBR is incorporated into the Defense Departmental Reporting System Audited Financial Statements ([DDRS-AFS](#)). [Authorized users can access report crosswalks in DDRS-AFS by selecting “Query” and “Referential Data” from the main DDRS-AFS menu, and selecting a report under one of the “Report Map” options.](#)

A. The SBR is the only financial statement predominantly derived from the entity’s budgetary general ledger in accordance with budgetary accounting rules. Consistency between the budgetary information presented in the financial statements and the Budget of the U.S. Government at the Agency-wide level is critical to ensure the integrity of the numbers presented. [FACTS II](#) helps to ensure the consistency of data. The FACTS II data submitted by agencies are USSGL-based trial balances, which are used to populate the SF 133 and the actual column of the Program and Financing Schedule of the Budget. The USSGL-based trial balance is also used to prepare the SBR. The primary purpose of the FACTS II revision period is to make FACTS II consistent with the amounts in the prior-year column of the Budget. Due to timing differences, subsequent changes whether material or non-material may be made to [budgetary information](#) included in the Budget after the SBR has been published. All subsequent changes whether material or non-material must be made in FACTS II during the revision period. Any changes to budgetary information subsequent to the publication of the audited SBR, that are material to the SBR, should be discussed between the agencies and their auditors to determine if restatement or note disclosure is necessary. Any material differences between comparable information contained in the SBR and the Budget, at a minimum, must be disclosed [in Note 20](#).

B. Budgetary information aggregated for purposes of the SBR should be disaggregated for each of the reporting entity's major budget accounts and presented as Required Supplementary Information (RSI), [as described in Chapter 12](#) of this volume. Recognition and measurement of budgetary information reported on this statement should be based on budget terminology, definitions, and guidance [described in Appendix F of OMB Circular No. A-11](#), which provides definitions and instructions for each line item reported in this statement.

C. OMB Circular [A-136](#) requires a combined SBR. The SBR presents budgetary information using a combined basis, which is consistent with the aggregate of the account level information presented on the [FACTS II submissions](#). A line by line consolidation of this statement is not permitted since it would require line by line elimination of inter-entity

balances. This statement distinguishes between budgetary and nonbudgetary credit program financing accounts and identifies [distributed](#) offsetting receipt values. These additional requirements facilitate the reconciliation of information among the SBR, [FACTS II](#), and actual information reported in the President's Budget.

*D. The SBR is divided into four general sections: Budgetary Resources, Status of Budgetary Resources, Change in Obligated Balance, and [Budget Authority and Outlays, Net](#).

1. This statement is aggregated to reflect all activity of the reporting entity for the year covered by the financial statement. Prior year information is presented so the reader may make appropriate comparisons with prior periods. Information shall be consistent with budget execution information reported on the [FACTS II submissions](#) and with information reported in the President's Budget.

2. Separate columns are presented for the current Fiscal Year (FY) and Prior Year (PY) nonbudgetary credit program financing accounts in the SBR. This allows for a clear distinction between budgetary and nonbudgetary credit program financing account information. The guidance supporting the separate SBR reporting is found in [OMB Circular A-136](#). Nonbudgetary credit financing accounts are reported separately from the budgetary totals in the President's Budget.

3. A line is included for [distributed](#) offsetting receipts in the SBR. [Distributed](#) offsetting receipts offset budget authority and outlays at the Component level in the President's Budget, but are not required on the SF 133, which provides appropriation account level information only. Since the SBR functions as a Component-wide report, the values of [distributed](#) offsetting receipts are included to reconcile with the President's Budget.

E. Budget execution is monitored at the individual appropriation account level for DoD Component reporting entities. Budgetary information is aggregated for the combined SBR principal statements. Budgetary information is disaggregated for the reporting entity's combining statement by major budget account groups and presented in the RSI section of the financial statements (see [section 0704](#) of this [chapter](#)). Small budget accounts [may be aggregated](#). [The major accounts and the aggregate of small budget accounts should, in total, agree with the amounts reported on the face of the SBR.](#)

F. The recognition and measurement of budgetary information reported in this statement is based on budget terminology, definitions, and guidance found in [OMB Circular A-11](#). The statement illustrates, in condensed form, the information requirements reported on the [SF 133](#).

*070302. Line Item Instructions for the Preparation of the SBR

A. The SBR is divided into four sections: (1) Budgetary Resources; (2) Status of Budgetary Resources; (3) Change in Obligated Balance; and (4) Budget Authority and Outlays, Net. Information on the SBR should be reconcilable to the budget execution

information reported on FACTS II submissions and with information reported in the Budget of the U.S. Government to ensure the integrity of the numbers presented. OMB Circular [A-136](#) provides additional guidance for the types of data included in each section of the SBR.

B. Budgetary Resources. This section presents the total budgetary resources available to the reporting entity. Budgetary resources include, but are not limited to, new budget authority, unobligated balances at the beginning of the period, transfers in and out of budgetary resources, recoveries of prior year obligations, spending authority from offsetting collections, and any adjustments to these resources.

1. Unobligated balance brought forward, October 1, Line 1000. This line includes the available, unobligated balance brought forward from the prior fiscal year as of October 1 of the current fiscal year that is available for obligation.

2. Adjustment to unobligated balance brought forward, October 1 (+ or -), Line 1020. This line includes any changes to unobligated balances that occurred in a prior fiscal year and that were not recorded in the unobligated balance as of October 1 of the current fiscal year.

3. Unobligated balance brought forward, October 1, as adjusted, Line 1020.5. This line reports the sum of lines 1000 and 1020.

4. Recoveries of prior year unpaid obligations, Line 1021. This line includes amounts for any cancellations or downward adjustments of obligations incurred in prior fiscal years that were not outlayed.

5. Other changes in unobligated balance (+ or -), Line 1043. This line is used to report any other adjustments which affect the unobligated balance brought forward reported on line 1020.5.

6. Unobligated balance from prior year budget authority, net, Line 1051. Report the total net amount of the unobligated balance brought forward from the prior fiscal year as of October 1 of the current fiscal year that is available for obligation.

7. Appropriations (discretionary and mandatory), Line 1290. Amount of appropriations specified in appropriations act or in substantive laws that become available for obligation on or after October 1 of the fiscal year (actual and anticipated).

8. Borrowing authority (discretionary and mandatory), Line 1490. Amount of new borrowing authority, primarily from the Department of the Treasury, to finance obligations and outlays.

9. Contract authority (discretionary and mandatory), Line 1690. Amount of new contract authority to incur obligations that require a separate appropriation of liquidating cash before payments can be made; or the amount of contract authority that is substituted and liquidated by offsetting collections.

10. Spending authority from offsetting collections (discretionary and mandatory), Line 1890. This includes amounts of reimbursements or other income earned, collected and receivable; changes in unfilled customer orders, with or without advances; anticipated for the rest of the year, without advances; previously unavailable; and expenditure transfers from trust funds collected, receivable, and anticipated.

11. Total budgetary resources, Line 1910. This is a summation of the lines listed under Budgetary Resources and represents all budgetary resources available for new obligations.

C. Status of Budgetary Resources. This section is designed to display information about the status of budgetary resources at the end of the period. It consists of the obligations incurred and the unobligated balances at the end of the period. The total amount displayed for the status of budgetary resources will equal the total budgetary resources available to the reporting entity as of the reporting date.

1. Obligations incurred, Line 2190. Amount of obligations incurred during the reporting period.

2. Unobligated balance, end of year

a. Apportioned, Line 2204. Report the amount apportioned at the end of the fiscal year.

b. Exempt from apportionment, Line 2304. Report the amount of the total unobligated balance which is exempt from apportionment.

c. Unapportioned, Line 2404. Report the amount of the total unobligated balance not apportioned.

3. Total unobligated balance, end of year, Line 2490. Report the sum of lines 2204 through 2404.

4. Total budgetary resources, Line 2500. This is a summation of the lines listed under Status of Budgetary Resources and identifies the amount of obligations incurred and the unobligated balances remaining at the end of the year.

D. Change in Obligated Balance. This section of the statement displays the change in obligated balances during the reporting period.

1. Unpaid obligations, brought forward, October 1 (gross), Line 3000. This line will equal the sum of the beginning balance of accounts payable and undelivered orders.

2. Uncollected customer payments from Federal sources, brought forward, October 1 (-), Line 3010. This amount equals the sum of the beginning balance of

accounts receivable from other Federal government accounts and nonfederal accounts (but only when specifically authorized by law to obligate against orders from the nonfederal accounts) and unfilled customers' orders from other Federal government accounts not accompanied by an advance, unless specifically authorized by law to obligate against orders from the nonfederal accounts.

3. Obligated balance, start of year (net), before adjustments (+ or -), Line 3015. This line shows the total obligated balance excluding any upward or downward adjustments impacting the obligated balance brought forward from the previous period.

4. Adjustment to obligated balance, start of year (net) (+ or -), Line 3016. This line shows the amount of any upward or downward obligation adjustments affecting the obligated balance brought forward from the previous period.

5. Obligated balance, start of year (net), as adjusted, Line 3021. Shows the net obligated balance after recording any obligation adjustments affecting the obligated balance brought forward from the previous period.

6. Obligations incurred, Line 3032. Shows the amount of obligations incurred during the accounting period.

7. Outlays (gross) (-), Line 3040. Shows the amount of gross disbursements made during the accounting period.

8. Change in uncollected customer payments from Federal sources (+ or -), Line 3052. Amount of reimbursements from another Federal agency that is earned, but not collected, during the current fiscal year.

9. Actual transfers, unpaid obligations (net) (+ or -), Line 3062. Unpaid obligations from other Federal government accounts actually transferred to (+) or from (-) the account during the current fiscal year.

10. Actual transfers, uncollected customer payments from Federal sources (net) (+ or -), Line 3072. Uncollected customer payments from other Federal government accounts actually transferred to (+) or from (-) the account during the current fiscal year.

11. Recoveries of prior year unpaid obligations (-), Line 3082. Cancelled amounts or downward adjustments of obligations incurred in prior fiscal years that were not outlayed.

12. Obligated balance, end of year

a. Unpaid obligations, end of year (gross), Line 3090. Amount of undelivered orders and accounts payable as supported by evidence of receipts of goods and services that will be carried forward to the subsequent period.

b. Uncollected customer payments from Federal sources, end of year, Line 3091. Amount of accounts receivable from other Federal government accounts and nonfederal customers (but only when specifically authorized by law to obligate against orders from the nonfederal customers) and amount of unfilled customer orders from other Federal government accounts not accompanied by an advance being carried forward to the subsequent period. Refunds receivable are not included.

13. Obligated balance, end of year (net), Line 3100. Report the obligated balance at the end of the year less any unpaid obligations (gross) and uncollected customer payments from Federal sources at the end of the year.

E. Budget Authority and Outlays, Net. This section displays net totals for budget authority and agency outlays.

1. Budget authority, gross (discretionary and mandatory), Line 4175. Gross budget authority consists of appropriations, borrowing authority, contract authority and spending authority from offsetting collections.

2. Actual offsetting collections (discretionary and mandatory) (-), Line 4177. Amount of reimbursements from other Federal government accounts and other collections that have been recorded during the reporting period. Refunds of payments originally made in prior fiscal years that are received in the current fiscal year are included.

3. Change in uncollected customer payments from Federal sources (discretionary and mandatory) (+ or -), Line 4178. Amount of reimbursements from another Federal agency that is earned, but not collected, during the current fiscal year.

4. Anticipated offsetting collections (discretionary and mandatory) (+ or -), Line 4179. Report any offsetting collections anticipated for the rest of the year.

5. Budget authority, net (discretionary and mandatory), Line 4180. This line represents gross budget authority reduced by actual offsetting collections, changes in uncollected customer payments, and anticipated offsetting collections.

6. Outlays, gross (discretionary and mandatory), Line 4176. Gross outlays (also known as disbursements) are the amount of obligations paid.

7. Actual offsetting collections (discretionary and mandatory), Line 4177. Amount of reimbursements from other Federal government accounts and other collections that have been recorded during the reporting period. Refunds of payments originally made in prior fiscal years that are received in the current fiscal year are also included.

8. Outlays, net (discretionary and mandatory), Line 4190. This line equals gross outlays less any offsetting collections.

9. [Distributed offsetting receipts \(-\), Line 4200](#). Offsetting receipts are composed of proprietary receipts from the public, receipts from intragovernmental transactions, and offsetting governmental receipts. The amount of offsetting receipts distributed to Components and reported in this statement matches the deductions for offsetting receipts as reported in the Budget of the U.S. Government.

a. Offsetting receipts are collections that are credited to general fund, special fund or trust fund receipt accounts and offset gross outlays. Unlike offsetting collections, which are credited to expenditure accounts and offset outlays at the account level, offsetting receipts are credited to receipt accounts and offset outlays at the Component or governmentwide level.

b. Offsetting receipts may be distributed to Components or remain undistributed. Distributed offsetting receipts offset the outlays of the Component, while undistributed offsetting receipts offset governmentwide outlays. Distributed offsetting receipts typically offset the outlays of the Component that conducts the activity generating the receipts and the subfunction to which the activity is assigned. Offsetting receipts are composed of:

- (1) Proprietary receipts from the public.
- (2) Receipts from intragovernmental transactions.
- (3) Offsetting governmental receipts.

c. The SBR includes all distributed offsetting receipts for the Component. A listing of distributed offsetting receipt accounts is found [on the Department of the Treasury's website by selecting the "Receipts by Department" link under "Part Four"](#). This is an unpublished part of the Combined Statement of Receipts, Outlays, and Balances of the U.S. Government, issued by the Department of the Treasury. Components include the receipt accounts in Part [Four](#) classified as Budget Receipts, Proprietary Receipts from the Public, Intrabudgetary Receipts Deducted by Agencies, [Offsetting Governmental Receipts](#), and [Undistributed Offsetting Receipts](#).

* d. The amount of distributed offsetting receipts reported in the SBR should be the aggregate of cash collected in these receipt accounts and reported to the Department of the Treasury on a monthly basis via the SF 224 "Statement of Transactions," (SOT) and the SF 1220 "Statement of Transactions According to Appropriations, Funds, and Receipt Accounts." [The TFM Volume I, Part 2, Chapters 3100 and 3300 contains the instructions for preparing these forms. TFM 2-3100 has the reporting instructions for entities that perform their own disbursing \(SF-1220\), while TFM 2-3300 has the reporting instructions for entities that receive disbursing support from the Treasury \(SF-224\).](#) The amount of offsetting receipts distributed to Components and reported in this statement shall match and reconcile to the deductions for offsetting receipts reported in the Budget of the U.S. Government. The SBR does not include undistributed offsetting receipts credited to governmentwide outlay totals.

10. Agency outlays, net (discretionary and mandatory), Line 4210. Gross outlays (disbursements) are reduced by actual offsetting collections to derive net outlays. Net outlays are reduced by any distributed offsetting receipts to derive “Agency outlays, net”. The outlays (gross and net) will agree with, and be reconciled to, the disbursements and collections reported to Treasury for the fiscal year to date.

0704 DISAGGREGATED STATEMENT OF BUDGETARY RESOURCES

*070401. Disaggregated SBR

The Disaggregated SBR shall be prepared and reported in the RSI section of the financial statements. The current report format for the disaggregated SBR is illustrated in Figure 7-2.

A. The DoD-wide Disaggregated SBR. The DoD-wide SBR will be disaggregated into seven appropriation/fund groupings. Provide column headings and breakout by: Military Personnel, Procurement, Research Development Test & Evaluation (RDT&E), Family Housing/Military Construction, Military Retirement Benefits, Civil Works, and Operations, Readiness, and Support.

B. Military Department General Funds Disaggregated SBR. The Department of the Army GF, Department of the Navy GF, and the Department of the Air Force GF will be disaggregated into five appropriation/fund groupings. Provide column headings and breakout by: Military Personnel, Procurement, Research Development Test & Evaluation, Family Housing/Military Construction, and Operations, Readiness, and Support.

C. Military Retirement Fund and U.S. Army Corps of Engineers (USACE) Disaggregated SBR. A disaggregated SBR for the Military Retirement Fund is not applicable. The USACE Civil Works may disaggregate as appropriate for the Treasury Index (TI) 96 accounts in the stand-alone USACE financial statements.

D. Medicare-Eligible Retiree Health Care Fund. A disaggregated SBR for the Medicare-Eligible Retiree Health Care Fund is not applicable.

E. The WCF Disaggregated SBR. The stand-alone Army WCF, Navy WCF, and Air Force WCF will be disaggregated by business activity.

F. All Other Defense Entities. The stand-alone Other Defense Entities may disaggregate as appropriate for their entities.

*Figure 7-1. Statement of Budgetary Resources

Department/Agency/Reporting Entity STATEMENT OF BUDGETARY RESOURCES For the Years Ended September 30, 2xxx (CY) and 2xxx (PY) (in dollars/thousands/millions)				
	2XXX (CY)	2XXX (PY)	2XXX (PY)	2XXX (PY)
	Budgetary	Non-Budgetary Credit Reform Financing Account	Budgetary	Non-Budgetary Credit Reform Financing Account
Budgetary Resources:				
1000 Unobligated balance brought forward, October 1	\$ XXX	\$ XXX	\$ XXX	\$ XXX
1020 Adjustment to unobligated balance brought forward, October 1 (+ or -)	XXX	XXX	XXX	XXX
1020.5* Unobligated balance brought forward, October 1, as adjusted	XXX	XXX	XXX	XXX
1021 Recoveries of prior year unpaid obligations	XXX	XXX	XXX	XXX
1043* Other changes in unobligated balance (+ or -)	XXX	XXX	XXX	XXX
1051* Unobligated balance from prior year budget authority, net	XXX	XXX	XXX	XXX
1290* Appropriations (discretionary and mandatory)	XXX	XXX	XXX	XXX
1490* Borrowing authority (discretionary and mandatory)	XXX	XXX	XXX	XXX
1690* Contract authority (discretionary and mandatory)	XXX	XXX	XXX	XXX
1890* Spending authority from offsetting collections (discretionary and mandatory)	XXX	XXX	XXX	XXX
1910 Total budgetary resources	XXX	XXX	XXX	XXX
Status of Budgetary Resources:				
2190 Obligations incurred	\$ XXX	\$ XXX	\$ XXX	\$ XXX
Unobligated balance, end of year:				
2204* Apportioned	XXX	XXX	XXX	XXX
2304* Exempt from apportionment	XXX	XXX	XXX	XXX
2404* Unapportioned	XXX	XXX	XXX	XXX
2490* Total unobligated balance, end of year	XXX	XXX	XXX	XXX
2500 Total budgetary resources	XXX	XXX	XXX	XXX
Change in Obligated Balance:				
3000 Unpaid obligations, brought forward, October 1 (gross)	\$ XXX	\$ XXX	\$ XXX	\$ XXX
3010 Uncollected customer payments from Federal sources, brought forward, Oct 1 (-)	XXX	XXX	XXX	XXX
3015* Obligated balance, start of year (net), before adjustments (+ or -)	XXX	XXX	XXX	XXX
3016* Adjustment to obligated balance, start of year (net) (+ or -)	XXX	XXX	XXX	XXX
3021* Obligated balance, start of year (net), as adjusted	XXX	XXX	XXX	XXX
3032* Obligations incurred	XXX	XXX	XXX	XXX
3040 Outlays (gross) (-)	XXX	XXX	XXX	XXX
3052* Change in uncollected customer payments from Federal sources (+ or -)	XXX	XXX	XXX	XXX
3062* Actual transfers, unpaid obligations (net) (+ or -)	XXX	XXX	XXX	XXX
3072* Actual transfers, uncollected customer payments from Federal sources (net) (+ or -)	XXX	XXX	XXX	XXX
3082* Recoveries of prior year unpaid obligations (-)	XXX	XXX	XXX	XXX
Obligated balance, end of year				
3090 Unpaid obligations, end of year (gross)	XXX	XXX	XXX	XXX
3091 Uncollected customer payments from Federal sources, end of year	XXX	XXX	XXX	XXX
3100 Obligated balance, end of year (net)	XXX	XXX	XXX	XXX
Budget Authority and Outlays, Net:				
4175* Budget authority, gross (discretionary and mandatory)	\$ XXX	\$ XXX	\$ XXX	\$ XXX
4177* Actual offsetting collections (discretionary and mandatory) (-)	XXX	XXX	XXX	XXX
4178* Change in uncollected customer payments from Federal sources (discretionary and mandatory) (+ or -)	XXX	XXX	XXX	XXX
4179*† Anticipated offsetting collections (discretionary and mandatory) (+ or -)	XXX	XXX	XXX	XXX
4180 Budget authority, net (discretionary and mandatory)	XXX	XXX	XXX	XXX
4185* Outlays, gross (discretionary and mandatory)	\$ XXX	\$ XXX	\$ XXX	\$ XXX
4187* Actual offsetting collections (discretionary and mandatory) (-)	XXX	XXX	XXX	XXX
4190 Outlays, net (discretionary and mandatory)	XXX	XXX	XXX	XXX
4200* Distributed offsetting receipts (-)	XXX	XXX	XXX	XXX
4210* Agency outlays, net (discretionary and mandatory)	XXX	XXX	XXX	XXX
* Represents a line number that is unique to the SBR. Further information on the descriptions and composition of these lines can be found in OMB Circular No. A-11, Appendix F.				
† Not applicable for the fourth quarter.				
The accompanying notes are an integral part of these statements.				

*Figure 7-2. Statement of Disaggregated Budgetary Resources

Statement of Disaggregated Budgetary Resources For the Years Ended September 30, 2XXX and 2XXX Dollars in Millions										
		Military Personnel	Procurement	Research, Development, Test and Evaluation	Family Housing/ Military Construction	Military Retirement Benefits	Civil Works	Operations, Readiness & Support	CY Combined	PY Combined AFR
Budgetary Financing Account										
Budgetary Resources:										
1000	Unobligated balance brought forward, October 1	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
1020	Adjustment to unobligated balance brought forward, October 1 (+ or -)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
1020 .5*	Unobligated balance brought forward, October 1, as adjusted	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
1021	Recoveries of prior year unpaid obligations	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
1043 *	Other changes in unobligated balance (+ or -)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
1051 *	Unobligated balance from prior year budget authority, net	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
1290 *	Appropriations (discretionary and mandatory)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
1490 *	Borrowing authority (discretionary and mandatory)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
1690 *	Contract authority (discretionary and mandatory)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
1890 *	Spending authority from offsetting collections (discretionary and mandatory)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
1910	Total budgetary resources	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Status of Budgetary Resources:										
2190	Obligations incurred	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
	Unobligated balance, end of year:									
2204 *	Apportioned	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
2304 *	Exempt from apportionment	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
2404 *	Unapportioned	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
2490 *	Total unobligated balance, end of year	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
2500	Total budgetary resources	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Change in Obligated Balance:										
3000	Unpaid obligations brought forward, October 1 (gross)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
3010	Uncollected customer payments from Federal sources, brought forward, Oct 1 (-)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
3015 *	Obligated balance, start of year (net), before adjustments (+ or -)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
3016 *	Adjustment to obligated balance, start of year (net) (+ or -)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
3021 *	Obligated balance, start of year (net), as adjusted	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
3032 *	Obligations incurred	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
3040	Outlays (gross) (-)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
3052 *	Change in uncollected customer payments from Federal sources (+ or -)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
3062 *	Actual transfers, unpaid obligations (net) (+ or -)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
3072 *	Actual transfers, uncollected customer payments from Federal sources (net) (+ or -)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
3082 *	Recoveries of prior year unpaid obligations (-)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
	Obligated balance, end of year									
3090	Unpaid obligations, end of year (gross)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
3091	Uncollected customer payments from Federal sources, end of year	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
3100	Obligated balance, end of year (net)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Budget Authority and Outlays, Net:										
4175 *	Budget authority, gross (discretionary and mandatory)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
4177 *	Actual offsetting collections (discretionary and mandatory) (-)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
4178 *	Change in uncollected customer payments from Federal sources (discretionary and mandatory) (+ or -)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
4179 *+	Anticipated offsetting collections (discretionary and mandatory) (+ or -)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
4180	Budget authority, net (discretionary and mandatory)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
4185 *	Outlays, gross (discretionary and mandatory)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
4187 *	Actual offsetting collections (discretionary and mandatory) (-)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
4190	Outlays, net (discretionary and mandatory)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
4200 *	Distributed offsetting receipts (-)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
4210	Agency outlays, net (discretionary and mandatory)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
* Represents a line number that is unique to the SBR. Further information on the descriptions and composition of these lines can be found in OMB Circular A-11, Appendix F.										
+ Not applicable for the fourth quarter.										

* Represents a line number that is unique to the SBR. Further information on the descriptions and composition of these lines can be found in OMB Circular A-11, Appendix F.

+ Not applicable for the fourth quarter.

*Figure 7-2 Statement of Disaggregated Budgetary Resources (cont.)

Statement of Disaggregated Budgetary Resources For the Years Ended September 30, 2XXX and 2XXX Dollars in Millions			
	Other	CY Combined	PY Combined
Non Budgetary Financing Account			
Budgetary Resources:			
1000 Unobligated balance brought forward, October 1	XXX	XXX	XXX
1020 Adjustment to unobligated balance brought forward, October 1 (+ or -)	XXX	XXX	XXX
1020 .5* Unobligated balance brought forward, October 1, as adjusted	XXX	XXX	XXX
1021 Recoveries of prior year unpaid obligations	XXX	XXX	XXX
1043 * Other changes in unobligated balance (+ or -)	XXX	XXX	XXX
1051 * Unobligated balance from prior year budget authority, net	XXX	XXX	XXX
1290 * Appropriations (discretionary and mandatory)	XXX	XXX	XXX
1490 * Borrowing authority (discretionary and mandatory)	XXX	XXX	XXX
1690 * Contract authority (discretionary and mandatory)	XXX	XXX	XXX
1890 * Spending authority from offsetting collections (discretionary and mandatory)	XXX	XXX	XXX
1910 Total budgetary resources	XXX	XXX	XXX
Status of Budgetary Resources:			
2190 Obligations incurred	XXX	XXX	XXX
Unobligated balance, end of year:			
2204 * Apportioned	XXX	XXX	XXX
2304 * Exempt from apportionment	XXX	XXX	XXX
2404 * Unapportioned	XXX	XXX	XXX
2490 * Total unobligated balance, end of year	XXX	XXX	XXX
2500 Total budgetary resources	XXX	XXX	XXX
Change in Obligated Balance:			
3000 Unpaid obligations brought forward, October 1 (gross)	XXX	XXX	XXX
3010 Uncollected customer payments from Federal sources, brought forward, Oct 1 (-)	XXX	XXX	XXX
3015 * Obligated balance, start of year (net), before adjustments (+ or -)	XXX	XXX	XXX
3016 * Adjustment to obligated balance, start of year (net) (+ or -)	XXX	XXX	XXX
3021 * Obligated balance, start of year (net), as adjusted	XXX	XXX	XXX
3032 * Obligations incurred	XXX	XXX	XXX
3040 Outlays (gross) (-)	XXX	XXX	XXX
3052 * Change in uncollected customer payments from Federal sources (+ or -)	XXX	XXX	XXX
3062 * Actual transfers, unpaid obligations (net) (+ or -)	XXX	XXX	XXX
3072 * Actual transfers, uncollected customer payments from Federal sources (net) (+ or -)	XXX	XXX	XXX
3082 * Recoveries of prior year unpaid obligations (-)	XXX	XXX	XXX
Obligated balance, end of year			
Unpaid obligations, end of year (gross)	XXX	XXX	XXX
3091 Uncollected customer payments from Federal sources, end of year	XXX	XXX	XXX
3100 Obligated balance, end of year (net)	XXX	XXX	XXX
Budget Authority and Outlays, Net:			
4175 * Budget authority, gross (discretionary and mandatory)	XXX	XXX	XXX
4177 * Actual offsetting collections (discretionary and mandatory) (-)	XXX	XXX	XXX
4178 * Change in uncollected customer payments from Federal sources (discretionary and mandatory) (+ or -)	XXX	XXX	XXX
4179 *+ Anticipated offsetting collections (discretionary and mandatory) (+ or -)	XXX	XXX	XXX
4180 Budget authority, net (discretionary and mandatory)	XXX	XXX	XXX
4185 * Outlays, gross (discretionary and mandatory)	XXX	XXX	XXX
4187 * Actual offsetting collections (discretionary and mandatory) (-)	XXX	XXX	XXX
4190 Outlays, net (discretionary and mandatory)	XXX	XXX	XXX
4200 * Distributed offsetting receipts (-)	XXX	XXX	XXX
4210 Agency outlays, net (discretionary and mandatory)	XXX	XXX	XXX

VOLUME 6B, CHAPTER 10: “NOTES TO THE FINANCIAL STATEMENTS”**SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by a * preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated September 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated the terminology as required by SFFAS No. 43 to change from “earmarked funds” to “funds from dedicated collections.”	Update
All	Revised references to the Office of the Under Secretary of Defense Financial Reporting Guidance. Department of Defense Audited Financial Statements Reporting & Analysis (DoD AFSR&A) now produces this guidance.	Update
1003	Changed title of disclosure 1.J to “Cash and other Monetary Assets”, added a new requirement/disclosure for 1.Y “Military Retirement and Other Federal Employment Benefits”, and corrected order of “Significant Events” and “Fiduciary Activities” disclosures to be consistent with the Agency Financial Report.	Update
100501	Updated reference for fiduciary activities related to FBWT. Fiduciary activities are reported in section 1026 (Note 3).	Update
100502	Added reference for fiduciary activities related to Fund Balance with Treasury (FBWT). Fiduciary activities are reported in section 1026(Note 3).	Add
100502.E	Updated FBWT reconciliation amount to include detailed disclosure of discrepancies and materiality threshold used for disclosure to address prior audit recommendations (Note 3).	Add
100701	Updated prior year note schedule for Accounts Receivable (Note 5).	Update
101016	Added prior year note schedule for Guaranteed Loans Outstanding (Note 8).	Add
101103	Updated prior year note schedule for Inventory (Note 9).	Update

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
101104.E	Added reference to Volume 4, Chapter 4 regarding the use of the net realizable value for excess inventory (Note 9).	Add
101105	Updated prior year note schedule for Operating Materiel and Supplies, Net (Note 9).	Update
101106.D	Added reference to Volume 4, Chapter 4 regarding the use of net realizable value for Operating Materiel and Supplies, Net (Note 9).	Add
101107	Updated prior year note schedule for Stockpile Materiel, Net (Note 9).	Update
101201	Added prior year note schedule for General Property, Plant and Equipment (PP&E), Net (Note 10).	Add
101203	Added section on Heritage Assets with note schedule and disclosure requirements per Statement of Federal Financial Accounting Standards (SFFAS) No. 29 (Note 10).	Add
101204	Added section on Stewardship Land with note schedule and disclosure requirements per SFFAS No. 29 (Note 10).	Add
101401	Updated prior year note schedule for Accounts Payable (Note 12).	Update
101501	Updated prior year note schedule for Debt (Note 13).	Update
101601	Updated prior year note schedule for Environmental Liabilities and Disposal Liabilities (Note 14).	Update
101601	Revised lines for Environmental Disposal for Military Equipment/Weapons Programs and Chemical Weapons Disposal Program (Note 14).	Update
101601	Removed current and noncurrent columns in Environment Liabilities note schedule (Note 14).	Delete
101701	Updated prior year note schedule for Other Liabilities (Note 15).	Update
101703 101704	Update prior year note schedule for Capital Lease Liability (Note 15).	Update
101901 101902	Updated prior year note schedule for Military Retirement and Other Federal Employment Benefits (Note 17).	Update
101903	Added new schedule for Change in Actuarial Liabilities per SFFAS No. 33 (Note 17).	Add
101904	Added instructions for preparing the Change in Actuarial Liabilities (Note 17).	Add
102001	Added note schedules for General Disclosures Related to the Statement of Net Cost (Note 18).	Add
102002	Added instructions (format) for preparing the General Disclosures Related to the Statement of Net Cost (Note 18). Also, added an additional line (Line 3) for Losses (Gains) from actuarial assumption changes for Military Retirement Benefits.	Add

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
102502	Updated guidance for Note 23 using SFFAS No. 43. This Statement amended SFFAS No. 27 by changing the term “earmarked funds” to “funds from dedicated collections” and modifying the definition.	Update
1026	Added new note for fiduciary activities per SFFAS 31 and Office of Management and Budget (OMB) A-136 (Note 24).	Add
1027	Updated the presentation of Fiscal Years on the note schedule for Other Disclosures (Note 25).	Add

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CHAPTER 10

NOTES TO THE FINANCIAL STATEMENTS

1001 OVERVIEW

100101. Purpose

This chapter [prescribes](#) the format, content, and instructions for the preparation and presentation of notes to the principal financial statements. This chapter supplements the reporting requirements of Office of Management and Budget (OMB) [Circular A-136](#), “Financial Reporting Requirements”. The major Department of Defense (DoD) components and reporting entities [listed in section 0105 of Volume 6B, Chapter 1](#) will prepare quarterly and fiscal year end comparative financial statements and notes.

100102. Consistency and Agreement

The supporting schedules presented in the notes must have total figures which agree with the amounts presented in the body of the financial statements. [Maintain the consistency of the](#) chosen rounding level throughout the financial statements and notes. Rounded totals must agree between the financial statements as applicable (e.g., Net Position line on the Statement of Changes in Net Position ([SCNP](#)) should equal the Total Net Position line on the Balance Sheet). Individual line items must sum to the totals [which](#) may require adjusting the individual detail line items for differences created by the rounding process rather than adjusting column totals. [The](#) prior year column must be consistent with the amounts published on the financial statements and notes in the prior year.

100103. Noncompliance with United States Generally Accepted Accounting Principles ([USGAAP](#))

The underlying financial systems and operations that produce these statements were not designed to generate auditable financial statements in compliance with the form and content guidance. As a result [of such long standing system deficiencies](#), many DoD organizations may not be fully compliant with USGAAP and OMB A-136. DoD is developing long-term systems improvements that will correct these deficiencies and ensure compliance with [USGAAP](#). In cases where individual line items of the financial statements cannot be obtained or a substitution is made from the requirements herein, [explain](#) the deficiencies and the reason for the noncompliance in the related note. In addition, [identify](#) departures from [USGAAP](#) in Note 1, “Significant Accounting Policies.”

1002 GENERAL NOTE INSTRUCTIONS

100201. General

The objective of the notes to the financial statements is to provide additional disclosures to ensure that the financial statements are more informative and not misleading. [Consider the](#)

audience when writing the note narrative. Users of the general purpose financial reports, including internal users, tend to have different levels of knowledge about government operations, accounting, and finance. Prepare the financial statements such that individuals without a detailed knowledge of accounting principles and specific business practices can understand them. DoD's financial statements are provided to various internal users within DoD as well as external users such as OMB, Department of the Treasury (Financial Management Service (FMS)), Congress, and the general public.

100202. Narrative

The narrative should explain issues in "plain English" and with sufficient detail so that a person with general knowledge of the subject matter would understand. The narrative should describe the balances rather than a list or statement as to which component the balance is attributable.

100203. Multiple Sources

Narratives from various sources should be reviewed for consistency. Additional research may be necessary to ensure that a similar level of detail for all entities is presented in the note narrative.

100204. Amounts in Narrative

The narrative should readily agree with the line item(s) on the financial statements and note schedules.

100205. Other Lines

Include a narrative for any line item entitled "Other." All items that include 10 percent or more of the "Other" line item must be disclosed. If no amount encompasses 10 percent or more of the "Other" line item, state that the amount is attributable to multiple items.

100206. Intragovernmental Amounts

Intragovernmental amounts disclosed in a table to a note must contain a statement concerning the entity's ability to reconcile with its trading partner.

100207. Format of Notes

A consistent format is required for the narrative portion of notes. The narrative will first explain abnormal balances followed by definitions and other relevant disclosures. References to financial regulations or other notes are not required in the note narrative.

100208. Abnormal Balances

Abnormal account balances are those in which the normal balance (debit or credit) is reversed. Disclose [any](#) abnormal account balances found in the financial statement lines and note schedules, [as abnormal balances may be offset or hidden by other account balances](#). Disclosures should include the dollar amount, the business event that caused the abnormal balance, the reason why the abnormality occurred, the fiscal time period in which the abnormal balance occurred, and when it will be corrected. Also, disclose material abnormal proprietary and budgetary United States Standard General Ledger (USSGL) accounts at the reporting entity's consolidated level [trial balance](#) within [the Defense Departmental Reporting System – Audited Financial Statements \(DDRS-AFS\)](#). Some accounts are allowed to have either a debit or credit balance and would not be considered abnormal. [Refer to DoD Audited Financial Statements Reporting and Analysis \(DoD AFSR&A\) Financial Reporting Guidance \(Annual and Quarterly Guidance, hereafter referred to as “DoD AFSR&A Guidance”\) for additional information.](#)

*1003 NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

100301. Content of Note

Note 1 to the financial statements must describe the reporting entity, [identify](#) its major components, [and](#) summarize the accounting principles and the methods of applying those principles that management has concluded are the most appropriate for presenting the entity's assets, liabilities, equity, net cost of operations, changes in net position, and budgetary resources. [Without duplicating details presented elsewhere as part of the notes to the financial statements, the disclosure of accounting policies must identify and describe the accounting principles followed by the reporting entity and the methods of applying those principles.](#) In general, the disclosure should encompass important judgments as to the valuation, recognition, and allocation of assets, liabilities, expenses, revenues, and other financing sources. [Include in Note 1 a description of changes in USGAAP that impact the financial statements and an explanation of concepts, such as Fund Balance with Treasury \(FBWT\) and Funds from Dedicated Collections, unique to Federal financial statements.](#) In addition, the summary of significant accounting policies must disclose any significant changes, from the prior year, in the composition of the reporting entity or significant changes in the manner in which the reporting entity aggregates information for financial reporting purposes.

100302. Note 1 Format

Figure 10-1 outlines [the](#) Note 1 format and includes the reporting requirements and some sample disclosure statements. A particular reporting requirement is discussed in each section. Each reporting entity must review its financial processes, systems, and data and modify or expand the sample disclosure statements for a complete and accurate representation of each issue. The specific language shown in sample disclosure statements may not be applicable to all DoD [Components](#). Do not include narratives that are not applicable. The left-hand column includes the reporting requirement and/or sample disclosure statements. The right-hand column

identifies the applicable reporting entity(s). Review [DoD AFSR&A](#) guidance for [additional information related to this](#) disclosure.

Figure 10-1. Note 1. Significant Accounting Policies

Note 1 Content Requirement and Format	
REQUIREMENT AND/OR DISCLOSURE STATEMENT	REPORTING ENTITY
1.A. Basis of Presentation	
<p>Disclose how the financial statements are prepared, any limitation that prevents compliance with USGAAP, and auditor identified material weaknesses. Include a disclosure that the financial statements have been prepared to report the financial position and results of operations as required by the Chief Financial Officer's Act (CFO) of 1990, expanded by the Government Reform Act of 1994, and other legislation. Include the following disclosure statements: "The financial statements have been prepared from the books and records of the [Reporting Entity] in accordance with, and to the extent possible, U.S. generally accepted accounting principles promulgated by the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, "Financial Reporting Requirements", and DoD Financial Management Regulation (FMR)."</p> <p>Classified activity should be reported only by those entities recording the data.</p>	All Entities
1.B. Mission of the Reporting Entity	
For each Reporting Entity, enter a brief mission statement.	All Entities
1.C. Appropriations and Funds	
Identify and define the type of funding that the reporting entity receives, including funds from dedicated collections and parent/child allocation transfers where budget authority is transferred to, or received from another Federal entity.	All Entities

Figure 10-1. Note 1. Significant Accounting Policies (continued)

1.D. Basis of Accounting	
Describe limitations that prevent compliance with full accrual accounting as required by USGAAP.	All Applicable Entities
1.E. Revenues and Other Financing Sources	
Disclose the accounting policy for revenue recognition, the reporting entity's pricing policy, and any limitation that may hinder revenue recognition in accordance with USGAAP. Also, provide policy information on: (1) other financing sources; and (2) nonmonetary support provided by U.S. allies for common defense and mutual security, where applicable.	All Entities
1.F. Recognition of Expenses	
Disclose the accounting policy for recognizing operating expenses and any limitation that may hinder recognition in accordance with USGAAP. Also define Operating Materiel & Supplies (OM&S) operating expenses, its recognition method and any limitations.	All Entities
1.G. Accounting for Intragovernmental Activities	
Describe the reporting entity's: (1) methodology for eliminating transactions among entities within DoD and between other Federal agencies; (2) any limitation that prevents the elimination of the intragovernmental transactions; and (3) actions the reporting entity is taking to correct the problem(s).	All Applicable Entities
Disclose that DoD's proportionate share of public debt and related expenses including interest cost of the Federal Government is not included.	

Figure 10-1. Note 1. Significant Accounting Policies (continued)

1.H. Transactions with Foreign Governments and International Organizations	
Describe the authority to sell defense articles and services to foreign countries and international organizations.	All Applicable Entities
1.I. Funds with the U.S. Treasury	
Include the following disclosure statements: “The Reporting Entity’s monetary resources are maintained in U.S. Treasury accounts.” Also, include any other information relevant to understanding Funds with the U.S. Treasury. Entities (Defense Agencies) with zero funds balance reported in their financial statements should disclose: “Appropriations are suballocated to [Reporting Entities] by DoD. Differences between the U.S. Treasury and DoD balances are reconciled at the Department level.”	All Entities
1. J. Cash and Other Monetary Assets	
Include the following disclosures: (1) description of cash and foreign currency; (2) any restrictions on cash or foreign currency; (3) classification of these assets; and (4) procedures for handling exchange rate gains and losses.	All Applicable Entities
1.K. Accounts Receivable	
Include the following disclosures: (1) categories of receivables included in the amount reported in accounts receivable on the Balance Sheet; and (2) allowance methods for uncollectible accounts due from the public and Federal agencies .	All Entities
1.L. Direct Loans and Loan Guarantees	
Include the following disclosures: (1) a description of the credit reform programs; and (2) the authorities that authorized the programs.	All Applicable Entities

Figure 10-1. Note 1. Significant Accounting Policies (continued)

1.M. Inventories and Related Property	
Include the following disclosures: (1) the method for valuing inventory and related property; (2) an approximation of the percent of resale inventory valued using the moving average cost method and other methods; and (3) any limitations in valuing inventory in accordance with Statement of Federal Financial Accounting Standards (<i>SFFAS</i> No. 3 , “Accounting for Inventory and Related Property”, or uncertainties about completeness and existence of reported values of inventory. Also, describe the Related Property; Excess, Obsolete, and Unserviceable; Held for Repair and Work in Process accounts.	All Applicable Entities
1.N. Investments in U.S. Treasury Securities	
Include the following disclosures: (1) the method for valuing investments; (2) the amortization method for premiums and discounts; (3) the provision for unrealized gains or losses; (4) a description of the types of securities purchased; and (5) the information on investment in limited liability partnerships.	All Applicable Entities
1.O. General Property, Plant and Equipment	
Include the following disclosures: (1) the method for valuing military equipment; (2) the capitalization threshold; (3) any limitations in valuing General Property, Plant & Equipment (PP&E) in accordance with Federal standards; and (4) the policy for reporting property provided to contractors.	All Applicable Entities
1.P. Advances and Prepayments	
Describe advances and prepayments. Disclose DoD’s policy for reporting advances and prepayments. If the reporting entity is not in compliance, provide an explanation for noncompliance.	All Applicable Entities

Figure 10-1. Note 1. Significant Accounting Policies (continued)

1.Q. Leases	
Describe the conditions under which capital and operating leases would be recorded. Identify the method used to determine the value for capital leases. Describe how the discount rate for the present value calculation is determined.	All Applicable Entities
1.R. Other Assets	
Identify the majority of items reported as “Other Assets”. Describe contract financing payments and the circumstances under which the reporting entity uses them.	All Applicable Entities
1.S. Contingencies and Other Liabilities	
Define a contingency and identify the condition in which it would be reported on the Balance Sheet as a liability or condition where financial statement reporting is limited to a note disclosure. Describe the liabilities that arise from anticipated disposal costs.	All Applicable Entities
1.T. Accrued Leave	
Describe accrued leave. Sick leave is not included in accrued leave.	All Applicable Entities
1.U. Net Position	
Describe Net Position and its two major components of unexpended appropriations and cumulative results of operations.	All Entities

Figure 10-1. Note 1. Significant Accounting Policies (continued)

1.V. Treaties for Use of Foreign Bases	
Describe the use, purchase, and limits on land, buildings, and other overseas facilities obtained through various international treaties and agreements.	All Applicable Entities
1.W. Undistributed Disbursements and Collections	
Define undistributed disbursements and collections. Describe DoD's policy for reporting them in the financial statements.	All Entities
1.X. Fiduciary Activities	
Disclose information concerning fiduciary activities in accordance with <u>SFFAS No. 31</u> , "Accounting for Fiduciary Activities". Fiduciary activities are reported on the financial statement note schedules, and not recognized on the proprietary financial statements. Define the reporting entity's fiduciary activities. <u>Disclose that fiduciary cash and other assets are not assets of the Federal Government.</u>	All Applicable Entities
1.Y. Military Retirement and Other Federal Employment Benefits	
<u>Describe transactions involving Military Retirement and Other Federal Employment Benefits. The Department applies SFFAS No. 33, "Pensions, Other Retirement Benefits, and Other Post-employment Benefits: Reporting Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates", in selecting the discount rate and valuation date used in estimating actuarial liabilities.</u>	<u>All Applicable Entities</u>
1.Z. Significant Events	
Describe any significant event(s) that has an effect on the financial statements and accompanying notes.	All Entities

1004 NOTE 2. NONENTITY ASSETS

Figure 10-2. Nonentity Assets, Note Schedule Format

Note 2. Nonentity Assets			
<i>As of [Current Fiscal Period End Date]</i>		Current FY	Prior FY
(Amounts in thousands)			
1. Intragovernmental Assets			
A. Fund Balance with Treasury	\$	\$\$\$	\$ \$\$\$
B. Accounts Receivable		\$\$\$	\$\$\$
C. Other Assets		\$\$\$	\$\$\$
D. Total Intragovernmental Assets	\$	\$\$\$	\$ \$\$\$
2. Nonfederal Assets			
A. Cash and Other Monetary Assets	\$	\$\$\$	\$ \$\$\$
B. Accounts Receivable		\$\$\$	\$\$\$
C. Other Assets		\$\$\$	\$\$\$
D. Total Nonfederal Assets	\$	\$\$\$	\$ \$\$\$
3. Total Nonentity Assets	\$	\$\$\$	\$ \$\$\$
4. Total Entity Assets	\$	\$\$\$	\$ \$\$\$
5. Total Assets	\$	\$\$\$	\$ \$\$\$

100401. Instructions

Disclose “Nonentity Assets” consisting of the categories shown in Figure 10-2, in accordance with the instructions provided in this chapter. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Nonentity Assets (Lines 1 and 2). These are assets that are held by an entity (as manager, custodian or fiduciary), but are not available for the entity’s own operational use. Within DoD, cash held by a disbursing officer, as an agent of the U.S. Treasury, is an example of nonentity assets. Another example is out-of-service debt due from members of a Military Service that, when collected, is not available for the reporting entity’s use and is required to be deposited with the U.S. Treasury as a miscellaneous receipt to the U.S. Government General Fund. The amounts reported on Lines 1.A [through](#) 1.C are totaled and reported on Line 1.D. The amounts reported on Lines 2.A through 2.C are totaled and reported on Line 2.D.

B. Total Nonentity Assets (Line 3). This line is a summation of the totals reported on lines 1.D “Total Intragovernmental Assets” and 2.D “Total Nonfederal Assets”.

C. Total Entity Assets (Line 4). These are assets that the reporting entity has authority to use. For example, an entity’s assets may be used in entity operations (such as equipment), be sold or exchanged for other assets (such as inventory for cash), or be used to liquidate (pay) entity liabilities.

D. Total Assets (Line 5). This line represents the sum of Line 3, “Total Nonentity Assets”, and Line 4, “Total Entity Assets”. The amount on Line 5 should equal to the Total Assets line (Line 2) on the Balance Sheet.

E. Other Information. Disclose in the narrative a description of each current year nonentity asset focusing on the nature of the assets that causes it to be classified as “Total Nonentity Assets” (Line 3).

F. Other Nonentity Assets. Describe any item that is greater than, or equal to, 10 percent of Lines 1.C, “Other Assets” and 2.C, “Other Assets”.

1005 NOTE 3. FUND BALANCE WITH TREASURY

Figure 10-3. Fund Balance with Treasury, Note Schedule Format

Note 3. Fund Balance with Treasury			
As of [Current Fiscal Period End Date]		Current FY	Prior FY
(Amounts in thousands)			
1. Fund Balances:			
A. Appropriated Funds	\$	\$\$\$	\$ \$\$\$
B. Revolving Funds		\$\$\$	\$\$\$
C. Trust Funds		\$\$\$	\$\$\$
D. Special Funds		\$\$\$	\$\$\$
E. Other Fund Types		\$\$\$	\$\$\$
F. Total Fund Balances	\$	\$\$\$	\$ \$\$\$
2. Fund Balances Per Treasury Versus Agency:			
A. Fund Balance per Treasury	\$	\$\$\$	\$ \$\$\$
B. Fund Balance per Agency		\$\$\$	\$\$\$
3. Reconciling Amount		\$	\$\$\$

*100501. Instructions

Report FBWT by fund type. Do not include Fiduciary FBWT in this note. Refer to section 1026 for the reporting of fiduciary activities. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. Fund Balances (Lines 1.A through 1.E). FBWT is an asset which represents the total of all unobligated and obligated undisbursed account balances, as well as collections with the U.S. Treasury as reflected in an entity's record. Disclose FBWT by fund types, including appropriated funds, revolving funds, trust funds, special funds, and other fund types. Other fund types should include balances in deposit accounts, such as for collections pending litigation, awaiting determination of the proper accounting disposition (e.g., clearing and suspense accounts), or being held by the entity in the capacity of a banker or agent of others, including miscellaneous receipt accounts. Do not include Fiduciary FBWT on these lines. Refer to section 1026 for the reporting of fiduciary activities. Describe any item that is greater than, or equal to, 10 percent of Line 1.E. "Other Fund Types". The amount on Line 1.F, "Total Fund Balances", should agree with Line 2.B, "Fund Balance per Agency".

B. Classifications. Treasury account symbols are the basis for reporting the Department's financial transactions. U.S. Treasury, FMS classifies receipt or expenditure accounts and assigns them to a fund group based on their characteristics and the nature of the

transactions they support. FMS assigns account symbols to agencies after considering the government's relationship to the accounts, the sources of the receipts, and the availability of the funds for expenditure. FMS classifies receipt and expenditure accounts according to the Federal Account Symbols and Titles ([FAST](#)) Book, Supplement to Volume 1 of the Treasury Financial Manual (TFM). For descriptions of fund groups and how they are used, refer to [Volume 12, Chapter 1](#).

Fund Group	Major Class	Entity/NonEntity
Appropriated Funds		
General Funds	0000-3799, 3830, 3840, 3850	Entity
Clearing Accounts	3800-3899*	Entity
Management Funds	3960-3999	Entity
Revolving Funds		
Public Enterprise	4000-4499	Entity
Intragovernmental	4500-4999	Entity
Special Funds	5000-5999	Entity
Deposit Funds	6000-6999	Nonentity
Trust Funds		
Trust Funds	8000-8399; 8500-8999	Entity
Trust Revolving Funds	8400-8499	Entity
*With the exception of 3882 and 3886 (Civilian Thrift Savings Plan (TSP) and Military TSP), which are considered Nonentity. These are not officially published Treasury Fund Symbols.		

C. Total Fund Balances (Line 1.F). The amount on Line 1.F represents the sum of Lines 1.A through 1.E. The total of the amounts reported on Line 1.F of this note should agree with the amounts reported on the reporting entity's Balance Sheet.

D. Fund Balances per Treasury Versus Agency (Line 2). Insert FBWT amounts from the U.S. Treasury on Line 2.A, "Fund Balance per Treasury". Insert the sum of the reporting entity's fund balances from Line 1.F, "[Total Fund Balances](#)" of the note schedule on Line 2.B, "Fund Balance per Agency". Compute any difference and report the variance on Line 3, "[Reconciling Amount](#)" of this note.

1. Fund Balance per Treasury (Line 2.A). This line should reflect the amounts reported for DoD by the U.S. Treasury in reports available in the Government On-Line Accounting Link System II ([GOALS II](#)) and the Government-wide Accounting ([GWA](#)) Account Statement application. [Refer to the financial reporting guidance at DoD AFSR&A for the proper methodology to extract Fund Balance per Treasury from GWA.](#)

2. Fund Balance per Agency (Line 2.B). Insert the total from Line 1.F, "[Total Fund Balances](#)". The total of the amount reported on Line 2.B of this note should agree with the amounts reported on the reporting entity's Balance Sheet. Enter the reporting entity's name in the "Reporting Entity" field.

*E. Reconciling Amount (Line 3). This line is the difference between Line 2.A, "Fund Balance per Treasury" and Line 2.B, "Fund Balance per Agency". Explain the cause

of any reconciling amounts reported on Line 3, “Reconciling Amount”. The reconciling difference will also include fund balances related to fiduciary activities. These balances are not included in Fund Balance per Agency and are not reported on the audited financial statements. Narrative explanations should include sufficient information to describe discrepancies between both fund balances, not simply disclosures of adjustments made. The differences may be composed of transfer account inclusions and exclusions, timing differences, and erroneous postings. Discrepancies may also be the result of issued check discrepancies, Intergovernmental Payment and Collection (IPAC) differences and deposit differences. Material check issues, IPAC and deposit differences must be disclosed. Compare the combined absolute values of the three types of differences to the materiality threshold to determine if a disclosure is necessary. The materiality threshold used in this note disclosure should be the same as the materiality threshold for the reporting items in the management representation letters. Refer to the financial reporting guidance at [DoD AFSR&A](#) for the material threshold calculation. Discrepancies due to time lags should be reconciled and discrepancies due to errors should be corrected.

F. Other Information Related to FBWT. Provide other information that is necessary for understanding the nature of the FBWT.

Figure 10-4. Status of Fund Balance with Treasury, Note Schedule Format

Status of Fund Balance with Treasury					
As of [Current Fiscal Period End Date]		Current FY		Prior FY	
(Amounts in thousands)					
1. Unobligated Balance					
A. Available		\$	\$\$\$	\$	\$\$\$
B. Unavailable			\$\$\$	\$	\$\$\$
2. Obligated Balance not yet Disbursed			\$\$\$	\$	\$\$\$
3. Nonbudgetary FBWT			\$\$\$	\$	\$\$\$
4. NonFBWT Budgetary Accounts			\$\$\$	\$	\$\$\$
5. Total		\$	\$\$\$	\$	\$\$\$

*100502. Instructions

The “Status of Fund Balance with Treasury” is the total of the entity's FBWT, as reflected in the entity's general ledger and represented by Line 1, “Unobligated [Balance](#)” and Line 2, “Obligated [Balance](#) not yet [Disbursed](#)” balances. Unobligated and obligated not yet disbursed balances presented in this section may not equal related amounts reported on the Combining Statements of Budgetary Resources since unobligated and obligated balances reported on the Combining Statements of Budgetary Resources are supported by FBWT, as well as other budgetary resources that do not affect FBWT (e.g., contract and borrowing authority and budgetary receivables). [Do not include fiduciary activity on these lines. Refer to section 1026 for the reporting of fiduciary activities.](#) The mapping for the lines within this schedule is based on the USSGL crosswalks for the respective columns in the Department of the Treasury, FMS 2108 Year End Closing Statement. Pertinent [USSGL](#) accounts can be found on the Department of the Treasury website [and in the Standard Financial Information Structure \(SFIS\) Transaction Library](#). Disclose and explain abnormal balances in accordance with paragraph 100208. Explain differences between the amount reported on Line 1.F “[Total Fund Balances](#)” of the [FBWT](#) schedule (Figure 10-3), and the amount reported on Line 5 “[Total](#)” of the [Status of FBWT](#) schedule (Figure 10-4). [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. [Unobligated Balance \(Line 1\)](#). This line represents the cumulative amount of budgetary authority that has not been set aside to cover outstanding obligations. Unobligated balance is classified as available or unavailable. In the 4th quarter of the fiscal year, this balance must agree with the sum of available and unavailable unobligated ending balances as reported in column 11, “[Unobligated Balance](#)” of the Year End Closing Statement.

1. [Available \(Line 1.A\)](#). This line represents the amount of unexpired, unobligated balance that has been apportioned or not subject to apportionment. This amount is immediately available for new obligations. In the 4th quarter of the fiscal year, this

balance must agree with the sum of available account balances as reported within column 11, “Unobligated Balance” of the Year End Closing Statement.

2. Unavailable (Line 1.B). This line represents the amount of unexpired, unobligated balance that has not been apportioned, deferred, withheld pending rescission or other similar limits on resources usage. It also may include expired budgetary resources that remain available only for obligation adjustments until the account is closed. In the 4th quarter of the fiscal year, this balance must agree with the sum of unavailable account balances as reported within column 11, “Unobligated Balance” of the Year End Closing Statement.

B. Obligated Balance not yet Disbursed (Line 2). This line represents funds that have been obligated for goods that have not been received; services that have not been performed; and goods and services that have been delivered and received, but not paid. In the 4th quarter of the fiscal year, this balance must agree with the sum of “Undelivered Orders and Contracts” (column 9), and “Accounts Payable and Other Liabilities” (column 10) of the Year End Closing Statement.

C. Nonbudgetary FBWT (Line 3). Include entity and nonentity FBWT accounts which represent adjustments that do not have budgetary authority, such as unavailable receipt accounts and certain clearing accounts.

D. NonFBWT Budgetary Accounts (Line 4). The line represents adjustments to budgetary accounts that do not affect FBWT. This category reduces the Status of FBWT. Disclose the items that comprise the amount reported as NonFBWT Budgetary Accounts such as, contract authority, borrowing authority, investments accounts, and accounts receivable, as well as the unfilled orders without advance from customers.

*E. Total (Line 5). This amount represents the sum of Lines 1.A, “Available”, 1.B, “Unavailable”, 2, “Obligated Balance not yet Disbursed”, and 3, “Nonbudgetary FBWT” less Line 4, “NonFBWT Budgetary Accounts”. The total of the amounts reported should agree with Line 1.F, “Total Fund Balances” of the FBWT table within this note and the amounts reported on the reporting entity’s Balance Sheet. An explanation for any differences between this line and Line 1.F of the FBWT table and the amounts reported on the Balance Sheet must be provided in the note.

F. Explanation of Unobligated Unavailable Balances. Unobligated balances are segregated to show available and unavailable amounts in the note schedule. Certain unobligated balances may be restricted to future use and are not apportioned for current use. Disclose and explain restrictions on unobligated balances. If there are no restrictions on unobligated balances, disclose that there are no restrictions on unobligated balances.

1006 NOTE 4. INVESTMENTS AND RELATED INTEREST

Figure 10-5. Investments and Related Interest, Note Schedule Format

Note 4.	Investments and Related Interest								
As of <i>[Current Fiscal Period End Date]</i>		Current FY							
		Cost		Amortization Method	Amortized (Premium) / Discount	Investments, Net	Market Value Disclosure		
(Amounts in thousands)									
1. Intragovernmental Securities									
A. Nonmarketable, Market-Based									
1. Military Retirement Fund \$ \$\$\$ \$ \$\$\$ \$ \$\$\$ \$ \$\$\$									
2. Medicare-Eligible Retiree Health Care Fund \$\$\$ \$\$\$ \$\$\$									
3. US Army Corps of Engineers \$\$\$ \$\$\$ \$\$\$									
4. Other Funds \$\$\$ \$\$\$ \$\$\$									
5. Total Nonmarketable, Market-Based \$\$\$ \$\$\$ \$\$\$									
B. Accrued Interest \$\$\$ \$\$\$									
C. Total Intragovernmental Securities \$ \$\$\$ \$ \$\$\$ \$ \$\$\$ \$									
2. Other Investments									
A. Total Other Investments \$ \$\$\$ \$ \$\$\$ \$ \$\$\$ N/A									
As of <i>[Prior Fiscal Period End Date]</i>		Prior FY							
		Cost		Amortization Method	Amortized (Premium)/ Discount	Investments, Net	Market Value Disclosure		
(Amounts in thousands)									
3. Intragovernmental Securities									
A. Nonmarketable, Market-Based									
1. Military Retirement Fund \$ \$\$\$ \$ \$\$\$ \$ \$\$\$ \$ \$\$\$									
2. Medicare-Eligible Retiree Health Care Fund \$\$\$ \$\$\$ \$\$\$									
3. US Army Corps of Engineers \$\$\$ \$\$\$ \$\$\$									
4. Other Funds \$\$\$ \$\$\$ \$\$\$									
5. Total Nonmarketable, Market-Based \$\$\$ \$\$\$ \$\$\$									
B. Accrued Interest \$\$\$ \$\$\$									
C. Total Intragovernmental Securities \$ \$\$\$ \$ \$\$\$ \$ \$\$\$ \$									
4. Other Investments									
A. Total Other Investments \$ \$\$\$ \$ \$\$\$ \$ \$\$\$ N/A									

100601. Instructions

Disclose the reporting entity's investments in Federal securities and other investments. Investments in Federal securities include market-based U.S. Treasury securities issued by the Bureau of the Public Debt. Investments are normally reported on the Balance Sheet at their par value or acquisition cost, adjusted for the amortization of the premium or discount recorded at the time of acquisition. Net Investments (column 4) are equal to Cost (column 1), plus Amortized (Premium)/Discount (column 3). Securities are normally recognized at amortized cost on the Balance Sheet. However, market value is used for Balance Sheet purposes when: (a) there is intent to sell the securities before maturity; and (b) there is a reduction in value that is more than temporary. Market Value (column 5) discloses the fair value of all nonmarketable market-based securities. Other investments are comprised of investments of funds with developers of family housing. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Nonmarketable, Market-Based Intragovernmental Securities (Line 1.A). Nonmarketable, market-based U.S. Treasury securities are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. All investments maintained by the Defense Finance and Accounting Service Trust Fund Accounting Office are nonmarketable, market-based U.S. Treasury securities (e.g., DoD Education Benefits Fund and Military Retirement Fund). Disclose any item that is greater than, or equal to, 10 percent of Line 1.A.4 "Other Funds".

B. Accrued Interest (Line 1.B). The amount recorded as Accrued Interest represents the amount of interest accrued on intragovernmental investment securities, but not received as of the date of the statements. The accrued interest amount is applicable only to columns 1, 4, and 5.

C. Total Intragovernmental Securities (Line 1.C). This line represents the sum of Intragovernmental Securities Cost (column 1), Amortized (Premium)/Discount (column 3), and Intragovernmental Net Investments (column 4) for the current period reported. The total amount reported in column 4 of this line should equal the amount reported on the reporting entity's Balance Sheet.

D. Other Investments (Line 2). The Military Family Housing Revitalization Act of 1996 provides for DoD Family Housing Improvement Fund. The legislation permits investment of funds into ventures with developers to provide family housing. For example, the ventures will be real estate ventures, rent differential payments, investment in limited partnerships, and investments in equity or debt instruments related to family housing. [Additionally, provide a description of the accounting method used and the amount of cash and non-cash assets conveyed to the venture.](#)

E. Prior Year, Intragovernmental Securities (Line 3). The prior year amounts for nonmarketable, market-based U.S. Treasury securities are reported on Line 3.

F. Prior Year, Total Other Investments (Line 4). The prior year amounts for other investments are reported on Line 4.

G. Intragovernmental Investments for Funds from Dedicated Collections. The following is a required disclosure for any reporting entity reporting funds from dedicated collections: “The Federal Government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections (or name(s) of fund(s)). The cash generated from funds from dedicated collections is deposited in the U.S. Treasury, which uses the cash for general government purposes. U.S. Treasury securities are issued to funds from dedicated collections as evidence of its receipts. U.S. Treasury securities are an asset to the [Reporting Entity] and a liability to the U.S. Treasury. Because the [Reporting Entity] and the U.S. Treasury are both parts of the government, these assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government wide financial statements. U.S. Treasury securities provide the [Reporting Entity] with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the [Reporting Entity] requires redemption of these securities to make expenditures, the government finances the securities out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the government finances all other expenditures.”

H. Other Information. Disclose any additional information relative to understanding the nature of reported investments, such as permanent impairments.

1007 NOTE 5. ACCOUNTS RECEIVABLE

Figure 10-6. Accounts Receivable, Note Schedule Format

Note 5.	Accounts Receivable					
As of [Current Fiscal Period End Date]	Current FY					
	Gross Amount Due		Allowance For Estimated Uncollectibles		Accounts Receivable, Net	
(Amounts in thousands)						
1. Intragovernmental Receivables	\$	\$\$\$	N/A		\$	\$\$\$
2. Nonfederal Receivables (From the Public)	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
3. Total Accounts Receivable	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
As of [Prior Fiscal Period End Date]	Prior FY					
	Gross Amount Due		Allowance For Estimated Uncollectibles		Accounts Receivable, Net	
(Amounts in thousands)						
1. Intragovernmental Receivables	\$	\$\$\$	N/A		\$	\$\$\$
2. Nonfederal Receivables (From the Public)	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
3. Total Accounts Receivable	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$

*100701. Instructions

Present the gross receivables, the allowance for uncollectible accounts (from the public) and the net amount due [for the current year and prior year](#). The amount represented in this note includes both entity and nonentity receivables. Do not include receivables related to direct or guaranteed loans. These amounts are reported in Note 8, “Direct Loan and Loan Guarantees”. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. [Intragovernmental Receivables \(Line 1\)](#). An allowance for uncollectible accounts should not be reported for Intragovernmental Receivables. The amount on Line 1, column 3, of this note should equal the amount reported on the reporting entity’s Balance Sheet.

B. [Nonfederal Receivables \(From the Public\) \(Line 2\)](#). The term “nonfederal entities” encompasses domestic and foreign persons and organizations outside the U.S.

Government. The amount on Line 2, column 3, of this note should equal the amount reported on the reporting entity's Balance Sheet.

C. Total Accounts Receivable (Line 3). The amount reported on Line 3 equals the sum of Lines 1 and 2 for each column.

D. Other Information. Disclose any other information needed to understand the nature of the Accounts Receivable.

1008 NOTE 6. OTHER ASSETS

Figure 10-7. Other Assets, Note Schedule Format

Note 6.	Other Assets			
As of [Current Fiscal Period End Date]		Current FY		Prior FY
(Amounts in thousands)				
1. Intragovernmental Other Assets				
A. Advances and Prepayments	\$	\$\$\$	\$	\$\$\$
B. Other Assets		\$\$\$		\$\$\$
C. Total Intragovernmental Other Assets	\$	\$\$\$	\$	\$\$\$
2. Nonfederal Other Assets				
A. Outstanding Contract Financing Payments	\$	\$\$\$	\$	\$\$\$
B. Advances and Prepayments		\$\$\$		\$\$\$
C. Other Assets (With the Public)		\$\$\$		\$\$\$
D. Total Nonfederal Other Assets	\$	\$\$\$	\$	\$\$\$
3. Total Other Assets	\$	\$\$\$	\$	\$\$\$

100801. Instructions

Report the amount of Other Assets. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at *DoD AFSR&A* for additional information related to this disclosure.](#)

A. Intragovernmental Other Assets (Line 1). Separately categorize the intragovernmental other assets.

1. Advances and Prepayments (Line 1.A). Include advances and prepayments to other Federal entities.

2. Other Assets (Line 1.B). Include other assets [categorized as Federal](#).

3. Total Intragovernmental Other Assets (Line 1.C). The amount reported on this line equals the sums of Lines 1.A and 1.B and the amount reported on the Balance Sheet.

B. Nonfederal Other Assets (Line 2). Separately categorize the nonfederal other assets.

1. Outstanding Contract Financing Payments (Line 2.A). Include contract financing payments as defined in Volume 4, Chapter 5.

2. Advances and Prepayments (Line 2.B.). Include advances and prepayments categorized as nonfederal.

3. Other Assets (With the Public) (Line 2.C). Include other assets categorized as nonfederal.

4. Total Nonfederal Other Assets (Line 2.D). The amount reported on this line equals the sum of Lines 2.A through 2.C and the amount reported on the Balance Sheet.

C. Total Other Assets (Line 3). The amount reported on this line equals the sum of Lines 1.C, [“Total Intragovernmental Other Assets”](#) and 2.C, [“Other Assets \(With the Public\)”](#). The total amount reported on Line 3 should equal the sum of Federal and Nonfederal Other Assets on the Balance Sheet.

D. Information Related to Other Assets. Identify other relevant information for other assets reported on the Balance Sheet.

1. If any of the individual components of [Line 1.B, “Other Assets”](#) and [Line 2.C, “Other Assets” \(With the Public\)](#), represent 10 percent or more of the value of the line, those components must be separately disclosed.

2. Components with contract financing payments must review the financial statement guidance at [DoD AFSR&A](#) for additional required [instructions](#).

1009 NOTE 7. CASH AND OTHER MONETARY ASSETS

Figure 10-8. Cash and Other Monetary Assets, Note Schedule Format

Note 7. Cash and Other Monetary Assets			
As of <i>[Current Fiscal Period End Date]</i>		Current FY	Prior FY
(Amounts in thousands)			
1. Cash	\$	\$\$\$	\$ \$\$\$
2. Foreign Currency		\$\$\$	\$\$\$
3. Other Monetary Assets		\$\$\$	\$\$\$
4. Total Cash, Foreign Currency, & Other Monetary Assets	\$	\$\$\$	\$ \$\$\$

100901. Instructions

Report the [current and prior FY](#) amount of Cash and Other Monetary Assets. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Cash (Line 1). The total of cash resources under the control of the reporting entity, which includes coin, paper currency, purchased foreign currency, negotiable instruments, and amounts on deposit in banks and other financial institutions. Cash available for agency use should include petty cash funds and cash held in revolving funds which will not be transferred into the General Fund of the Treasury.

B. Foreign Currency (Line 2). The total U.S. dollar equivalent of nonpurchased foreign currencies held in foreign currency fund accounts. Nonpurchased foreign currency is limited to the Treasury Index 97X7000 fund account.

C. Other Monetary Assets (Line 3). This amount represents other items, including gold, special drawing rights, and U.S. Reserves in the International Monetary Fund. Deposits made but not confirmed can be included on this line. Describe any item that is greater than, or equal to, 10 percent of “Other Monetary Assets”.

D. Total Cash, Foreign Currency, & Other Monetary Assets (Line 4). The amount reported on this note equals the sum of Lines 1, 2, and 3. Also, this line amount should equal the amount reported on the Balance Sheet.

E. Other Information. Provide other relevant information that is needed to understand the nature of cash and other monetary assets. Disclose any restrictions on cash and the dollar amount. Restricted cash includes holdings which are unavailable for agency use (nonentity cash) and have not been transferred to the General Fund. Restrictions are usually imposed on cash deposits by law, regulation, or agreement. [While nonentity cash is always](#)

restricted, entity cash may be restricted for specific purposes. Examples of restricted cash: (a) cash held in escrow to pay property taxes and insurance related to property associated with defaulted loans; as well as other amounts of legally restricted cash for specific purposes; (b) seized cash, recognized as an asset per [SFFAS No. 3](#); (c) bid deposits held in a commercial bank, and (d) funds from dedicated collections (refer to section 1025). Disclose any restrictions on the use or conversion of foreign currencies. If there are no restrictions on cash or the use or conversion of foreign currencies, include a statement in the narrative disclosing that there are no restrictions. Disclose significant effects, if any, of changes in the foreign currency exchange rate on the entity's financial position that occurred after the end of the reporting period but before the issuance of financial statements (if applicable).

1010 NOTE 8. DIRECT LOAN AND LOAN GUARANTEES

101001. General Information on Direct Loans and Loan Guarantees

A. [Federal Credit Reform Act of 1990](#). The Federal Credit Reform Act of 1990 divides direct loans and loan guarantees into two groups: Pre-1992 and Post-1991. Pre-1992 means the direct loan obligations or loan guarantee commitments made prior to fiscal year (FY) 1992 and the resulting direct loans or loan guarantees. Post-1991 means the direct loan obligations or loan guarantee commitments made after FY 1991 and the resulting direct loans or loan guarantees. Refer to OMB Circular [A-11, Part 5](#), Section 185 for definitions and explanations of terms and concepts in these instructions. The reporting entity should disclose direct loan obligations and loan guarantee commitments made after FY 1991, and the resulting direct loans or loan guarantees, are governed by the Federal Credit Reform Act of 1990. This Act governs all amended direct loan obligations and loan guarantee commitments made after FY 1991 resulting in direct loans or loan guarantees. [SFFAS No. 2, "Accounting for Direct Loans and Loan Guarantees"](#) provides that the present value of the subsidy costs (which arise from interest rate differentials, interest subsidies, delinquencies and defaults, fee offsets, and other cash flows) associated with direct loans and loan guarantees be recognized as costs in the year the direct or guaranteed loan is disbursed.

1. [Direct Loans](#). These loans are reported at the net present value of the following projected cash flows: loan disbursements, repayments of principal, payments of interest, and other payments over the life of the loan after adjusting for estimated defaults, prepayments, fees, penalties, and other recoveries.

2. [Loan Guarantee Liabilities](#). These liabilities are reported at the net present value. The cost of the loan guarantee is the net present value of the following estimated projected cash flows: payments by DoD to cover defaults and delinquencies; interest subsidies, or other payments offset by payments to DoD including origination; and other fees, penalties, and recoveries.

B. Pre-1992 Direct Loans and Loan Guarantees. The reporting entity should disclose whether Pre-1992 direct loans and loan guarantees are reported on a present value basis, or are reported under the allowance for loss method. Under the allowance for loss method, the nominal amount of the direct loans is reduced by an allowance for uncollectible amounts, and the

liability for loan guarantees is the amount the agency estimates will more likely than not require a future cash outflow to pay default claims. Under the present value method, the nominal amount of direct loans is reduced by an allowance equal to the difference between the nominal amount and the present value of the expected net cash flows from the loans. The liability for loan guarantees is the present value of expected net cash outflows due to the loan guarantees. DoD has elected to report Pre-1992 direct loans and loan guarantees using the allowance for loss method.

1. Note Format. Depending on the reporting method selected by management, agencies must choose the appropriated note format which includes the net present value method or the allowance for loss method.

2. Changing Reporting Methods. Changing from one method to the other is not permitted without the advance approval of OMB. If a reporting entity needs guidance related to Pre-1992 direct loans or loan guarantees, contact the Office of the Under Secretary of Defense (Comptroller), Office of the Deputy Chief Financial Officer. The reporting entity should disclose that their loans receivable, net, or their value of assets related to direct loans, is not the same as the proceeds that they would expect to receive from selling their loans.

C. Payments Made on Behalf of Borrowers. When the reporting entity has made payments on behalf of borrowers (which should be collected from the borrowers), the resulting receivables must be reported in the same column as loans receivable for either direct loans or defaulted guaranteed loans.

D. Direct Loan or Loan Guarantee Programs. Enter the names of the direct loans and loan guarantee programs operated by the reporting entity. An example of a DoD direct loan program is the Military Housing Privatization Initiative. The Armament Retooling and Manufacturing Support Initiative is an example of a DoD guaranteed loan program.

E. Other Information. Disclose events and changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions: (a) that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy reestimates; and (b) that are events and changes in conditions that have occurred and are more likely than not to have a significant impact, but the effects of which are not measurable at the reporting date.

Figure 10-9. Summary of Direct Loans and Loan Guarantees, Note Schedule Format

Note 8. Summary of Direct Loans and Loan Guarantees					
As of [Current and Prior Fiscal Period End Date]		Current FY		Prior FY	
(Amounts in thousands)					
Loans Receivable					
Direct Loans					
1. Military Housing Privatization Initiative		\$	\$\$\$	\$	\$\$\$
2. Total Direct Loans			\$\$\$		\$\$\$
Defaulted Loan Guarantees					
3. A. Military Housing Privatization Initiative		\$	\$\$\$	\$	\$\$\$
B. Armament Retooling & Manufacturing Support Initiative			\$\$\$		\$\$\$
4. Total Default Loan Guarantees		\$	\$\$\$	\$	\$\$\$
5. Total Loans Receivable		\$	\$\$\$	\$	\$\$\$
As of [Current and Prior Fiscal Period End Date]		Current FY		Prior FY	
(Amounts in thousands)					
Loan Guarantee Liability					
1. Military Housing Privatization Initiative		\$	\$\$\$	\$	\$\$\$
2. Armament Retooling & Manufacturing Support Initiative			\$\$\$		\$\$\$
3. Total Loan Guarantee Liability		\$	\$\$\$	\$	\$\$\$

101002. Instructions

Summarize the total amounts for loans receivable and loan guarantee liability reported in Note 8. The “**Total Loans Receivable**” (Line 5) should agree with the amount reported on the Balance Sheet. The “**Total Loan Guarantee Liability**” (Line 3) should agree with the amount reported on the Balance Sheet. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

Figure 10-10. Direct Loans Obligated, Note Schedule Format

Note 8. Direct Loans Obligated			
<i>As of [Current and Prior Fiscal Period End Date]</i>		Current FY	Prior FY
(Amounts in thousands)			
Direct Loans Obligated After FY 1991 (Present Value Method):			
1. Military Housing Privatization Initiative			
A. Loans Receivable Gross	\$	\$\$\$	\$ \$\$\$
B. Interest Receivable		\$\$\$	\$\$\$
C. Foreclosed Property		\$\$\$	\$\$\$
D. Allowance for Subsidy Cost (Present Value)		\$\$\$	\$\$\$
E. Value of Assets Related to Direct Loans, Net	\$	\$\$\$	\$ \$\$\$
2. Total Direct Loans Receivable	\$	\$\$\$	\$ \$\$\$

101003. Instructions

Present information for direct loans obligated. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Military Housing Privatization Initiative (Lines 1.A through 1.E). Report in column 1 (current year): the Loans Receivable Gross, the Interest Receivable, the estimated net realizable value of related Foreclosed Property, the Allowance for Subsidy Cost (Present Value Method), and the Value of Assets Related to Direct Loans, **Net**. Line 2 is the sum of Lines 1.A through 1.E. **Report** amounts from the prior year in column 2.

B. Total Direct Loans Receivable (Line 2). The amount reported in this line should agree with the amount reported on the reporting entity's Balance Sheet. Loan receivables for defaulted loan guarantees will also be included on the reporting entity's Balance Sheet.

C. Other Information. If you have foreclosed property resulting from credit reform activities, disclose changes from prior year's accounting methods; restrictions on the use/disposal of the property; the number of properties held and average holding period by type or category; and the number of properties for which foreclosure proceedings are in process at the end of the period. Disclose management's method for accruing interest revenue and recording interest receivable and management's policy for accruing interest on nonperforming loans.

D. Additional Instructions for Foreclosed Property. Value foreclosed property associated with Post-1991 direct loans at the net present value of the projected cash flows. At the time of foreclosure, foreclosed property may be recorded at the estimated net realizable value. [A portion of the related allowance for subsidy account should apply to the foreclosed property, but that amount need not be separately determined.](#)

Figure 10-11. Total Amount of Direct Loans Disbursed, Note Schedule Format

Total Amount of Direct Loans Disbursed		
As of <i>[Current and Prior Fiscal Period End Date]</i>	Current FY	Prior FY
(Amounts in thousands)		
Direct Loan Programs		
1. Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$
2. Direct Loan Programs Total	\$ \$\$\$	\$ \$\$\$

101004. Instructions

Report the total amount of direct loans disbursed after FY 1991. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Direct Loan Programs Disbursed. DoD administers a direct loan program on behalf of the Executive Office of the President, which is reported in Other Accompanying Information. Disclose the amount of direct loans disbursed for each program the reporting entity manages. DoD has one direct loan program that disburses direct loans, [Military Housing Privatization Initiative](#).

B. Direct Loan Programs, Total (Line 2). Report the total of the amount of direct loans disbursed for the current and prior reporting years.

C. Other Information. Provide other information related to direct loans disbursed necessary to understand the nature of the loans.

Figure 10-12. Subsidy Expense for Direct Loan by Program, Note Schedule Format

Subsidy Expense for Direct Loan by Program					
As of [Current and Prior Fiscal Period End Date]					
(Amounts in thousands)					
Current FY	Interest Differential	Defaults	Fees	Other	Total
1. New Direct Loans Disbursed:					
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Prior FY	Interest Differential	Defaults	Fees	Other	Total
2. New Direct Loans Disbursed:					
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Current FY	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
3. Direct Loan Modifications and Reestimates:					
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Prior FY	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
4. Direct Loan Modifications and Reestimates:					
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Current FY		Prior FY			
5. Total Direct Loan Subsidy Expense:					
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$		
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$		

101005. Instructions

For each direct loan program, report the direct loan subsidy expense, at present value. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Subsidy Expense for New Direct Loans Disbursed – Current Year (Line 1). Report in column 1 the present value amount of the current year's subsidy expense attributable to the interest rate differential between the interest rate charged to the borrowers and the discount rate used to calculate the present value of the direct loans and the subsidy costs; in column 2, report the present value of the estimated delinquencies and defaults (net of recoveries) for the current year; in column 3, report the present value of the estimated fees collected (offsetting expense) for the current year; in column 4, report the present value of other cash flows for the current year, including prepayments and proceeds of loan asset sales; and in column 5, report the total of columns 1 through 4.

B. Subsidy Expense for New Direct Loans Disbursed – Prior Year (Line 2).

Report in column 1 the present value amount of the prior year's subsidy expense attributable to the interest rate differential between the interest rate charged to the borrowers and the discount rate used to calculate the present value of the direct loans and the subsidy costs; in column 2, report the present value of the estimated delinquencies and defaults (net of recoveries) for the prior year; in column 3, report the present value of the estimated fees collected (offsetting expense) for the prior year; in column 4, report the present value of other cash flows for the prior year, including prepayments and proceeds of loan asset sales; and in column 5, report the total of columns 1 through 4.

C. Direct Loan Modifications and Reestimates – Current Year (Line 3).

Report in column 1 the current year's subsidy cost of modifications of direct loans previously disbursed; in column 2 report the current year's subsidy cost for interest rate reestimates which are due to a change in interest rates from the rate assumed in budget preparation and used in calculating the subsidy expense to the rates that are prevailing at the time the direct loan is disbursed; in column 3, report the current year's subsidy cost for technical reestimates which are due to changes made in projected cash flows under the terms of direct loans after reevaluating all the risk factors as of the financial statement date, except for the effect of interest rate reestimates; in column 4, report the total of columns 2 and 3; and in column 5, report the total of direct loan modifications and reestimates for the current year which is the total amount is the sum of columns 1 and 4.

D. Direct Loan Modifications and Reestimates – Prior Year (Line 4).

Report in column 1 the prior year's subsidy cost of modifications of direct loans previously disbursed; in column 2 report the prior year's subsidy cost for interest rate reestimates; in column 3, report the prior year's subsidy cost for technical reestimates; in column 4, report the total of columns 2 and 3; and in column 5, report the total of direct loan modifications and reestimates for the prior year which is the total amount is the sum of columns 1 and 4.

E. Total Direct Loan Subsidy Expense – Current Year (Line 5).

Report in column 1 the total subsidy expense for current year's direct loans, modifications, and reestimates; and in column 2, report the total subsidy expense for prior year's direct loans, modifications, and reestimates.

F. Other Information.

Identify other information related to direct loan subsidy expense for Post-1991 direct programs. If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modifications. Also, if appropriate, disclose that the subsidy expense resulting from reestimates that is included in the financial statements is not reported in the budget until the following year.

Figure 10-13. Subsidy Rate for Direct Loans by Program, Note Schedule Format

Subsidy Rate for Direct Loans by Program					
<i>As of [Current Fiscal Period End Date]</i>	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Budget Subsidy Rates for Direct Loans:					
1. Military Housing Privatization Initiative	XX.XX%	XX.XX%	XX.XX%	XX.XX%	XX.XX%

101006. Instructions

Disclose the budget subsidy rates estimated for the cohorts of the current reporting year. Disclose the subsidy rate for the following components: interest differential costs; default costs (net of recoveries); fees and other collections; and other costs. These estimated subsidy rates for direct loans are in the current year's budget (President's Budget). [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Subsidy Rate. These rates should be consistent with rates published in the Direct Loans: Assumptions Underlying the FY Subsidy Estimates Table contained in the Federal Credit Supplement to the [Budget of the U.S. Government](#).

B. Relevant Information for Comprehension. Subsidy rates pertain to the loan agreements contracted during the current fiscal year. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans disbursed in the current year could result from disbursement of loans from both current and prior year loan agreements. The subsidy expense reported in the current year also includes modifications and reestimates.

C. Subsidy Rate Amount. Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the direct loans obligated in the cohort year. Entities are encouraged to use trend data to display significant fluctuations in subsidy rates. Trend data, if used, should be accompanied with [an](#) analysis to explain the underlying causes for the fluctuations.

Figure 10-14. Schedule for Reconciling Subsidy Cost Allowance Balances for Post-1991 Direct Loans, Note Schedule Format

Schedule for Reconciling Subsidy Cost Allowance Balances for Post-1991 Direct Loans			
As of [Current and Prior Fiscal Period End Date]		Current FY	Prior FY
(Amounts in thousands)			
Beginning Balances, Changes, and Ending Balance:			
1. Beginning Balance of the Subsidy Cost Allowance	\$	\$\$\$	\$ \$\$\$
2. Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component			
A. Interest Rate Differential Costs	\$	\$\$\$	\$ \$\$\$
B. Default Costs (Net of Recoveries)		\$\$\$	\$\$\$
C. Fees and Other Collections		\$\$\$	\$\$\$
D. Other Subsidy Costs		\$\$\$	\$\$\$
E. Total of the above Subsidy Expense Components	\$	\$\$\$	\$ \$\$\$
3. Adjustments			
A. Loan Modifications	\$	\$\$\$	\$ \$\$\$
B. Fees Received		\$\$\$	\$\$\$
C. Foreclosed Property Acquired		\$\$\$	\$\$\$
D. Loans Written Off		\$\$\$	\$\$\$
E. Subsidy Allowance Amortization		\$\$\$	\$\$\$
F. Other		\$\$\$	\$\$\$
G. Total of the above Adjustment Components	\$	\$\$\$	\$ \$\$\$
4. Ending Balance of the Subsidy Cost Allowance Before Reestimates	\$	\$\$\$	\$ \$\$\$
5. Add or Subtract Subsidy Reestimates by Component			
A. Interest Rate Reestimate	\$	\$\$\$	\$ \$\$\$
B. Technical/Default Reestimate		\$\$\$	\$\$\$
C. Total of the above Reestimate Components	\$	\$\$\$	\$ \$\$\$
6. Ending Balance of the Subsidy Cost Allowance	\$	\$\$\$	\$ \$\$\$

101007. Instructions

Display the reconciliation between the beginning and ending balances of the subsidy cost allowance for outstanding direct loans reported in the reporting entity's Balance Sheet based upon the following instructions [in this paragraph](#). The reconciliation is required for direct loans obligated on or after October 1, 1991, the effective date of the Federal Credit Reform Act of 1990. Reporting entities are encouraged, but not required, to display reconciliations for direct loans obligated prior to October 1, 1991, in schedules separate from the direct loans obligated after October 1, 1991. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Beginning Balance of the Subsidy Cost Allowance (Line 1). Report the Beginning Balance of the Subsidy Cost Allowance.

B. Subsidy Expense for Direct Loans [Disbursed During the Reporting Years by Component](#) (Lines 2.A through 2.E). Report the components of subsidy expense for direct loans: Interest Rate Differential Costs; Default Costs (Net of Recoveries); Fees and Other Collections; and Other Subsidy Costs. Total the components of subsidy expense for direct loans.

C. Adjustments (Lines 3.A through 3.G). Report the adjustments for direct loans: Loan Modifications, Fees Received; Foreclosed Property Acquired; Loans Written Off; Subsidy Allowance Amortization; and Other Adjustments. Total the adjustments for direct loans.

D. Ending Balance of the Subsidy Cost Allowance Before Reestimates (Line 4). Report the sum of Lines 1, 2.E, and 3.G.

E. [Add or Subtract Subsidy Reestimates by Component](#) (Lines 5.A through 5.C). Report [the](#) Interest Rate Reestimate and Technical/Default Reestimate for direct loans. Total the reestimates for direct loans.

F. Ending Balance of the Subsidy Cost Allowance (Line 6). Report the sum of Lines 4 and 5.C.

Figure 10-15. Defaulted Guaranteed Loans, Note Schedule Format

Defaulted Guaranteed Loans			
<i>As of [Current and Prior Fiscal Period End Date]</i>		Current FY	Prior FY
(Amounts in thousands)			
Defaulted Guaranteed Loans from Post-1991 Guarantees (Present Value Method):			
1. Military Housing Privatization Initiative			
A. Defaulted Guaranteed Loans Receivable, Gross	\$	\$\$\$	\$ \$\$\$
B. Interest Receivable		\$\$\$	\$\$\$
C. Foreclosed Property		\$\$\$	\$\$\$
D. Allowance for Subsidy Cost (Present Value)		\$\$\$	\$\$\$
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	\$	\$\$\$	\$ \$\$\$
2. Armament Retooling & Manufacturing Support Initiative			
A. Defaulted Guaranteed Loans Receivable, Gross	\$	\$\$\$	\$ \$\$\$
B. Interest Receivable		\$\$\$	\$\$\$
C. Foreclosed Property		\$\$\$	\$\$\$
D. Allowance for Subsidy Cost (Present Value)		\$\$\$	\$\$\$
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	\$	\$\$\$	\$ \$\$\$
3. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable	\$	\$\$\$	\$ \$\$\$

101008. Instructions

Report the defaulted loan guarantees for applicable credit reform program. If the reporting entity does not have defaulted guaranteed loans, state “Not Applicable” after the note number and title. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Military Housing Privatization Initiative (Lines 1.A through 1.E). Report the: Defaulted Guaranteed Loans Receivable, Gross; Interest Receivable; the estimated value of related Foreclosed Property; the Allowance for Subsidy Cost (Present Value); and the Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net.

B. Armament Retooling and Manufacturing Support Initiative (Lines 2.A through 2.E). Report the: Defaulted Guaranteed Loans Receivable, Gross; Interest Receivable;

estimated value of related Foreclosed Property; Allowance for Subsidy Cost (Present Value); and the Value of Assets Related to Defaulted Guaranteed Loans Receivable, **Net**.

C. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable (Line 3). Report the total Value of Assets Related to Defaulted Guaranteed Loans Receivable from Lines 1.E and 2.E. The sum of these lines should equal the amount reported on the **Balance Sheet** as loans receivables. (Loans receivable for direct loans will also be included on the reporting entity's Balance Sheet).

D. Other Information. If you have foreclosed property resulting from credit reform activities, disclose: (1) changes from the prior year's accounting methods, if any; (2) restrictions on the use/disposal of the property; (3) number of properties held and average holding period by type or category; and (4) number of properties for which foreclosure proceedings are in process at the end of the period. Disclose management's method for accruing interest revenue and recording interest receivable, and management's policy for accruing interest on nonperforming defaulted guaranteed loans. If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modifications. When appropriate, disclose that the subsidy expense resulting from reestimates that is included in the financial statements is not reported in the budget until the following year.

E. Additional Instructions for Foreclosed Property. Foreclosed property associated with Post-1991 direct and acquired defaulted guaranteed loans must be valued at the net present value of the projected cash flows associated with the property. Foreclosed property may be recorded at the estimated net realizable value at the time of foreclosure. A portion of the related allowance for subsidy account should apply to the foreclosed property, but that amount need not be separately determined. Rather, the allowance account is subtracted from the sum of the credit program assets to determine the net present value of the assets.

Figure 10-16. Guaranteed Loans Outstanding

Guaranteed Loans Outstanding			
<i>As of [Current and Prior Fiscal Period End Date]</i>		Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
(Amounts in thousands)			
Current FY			
Guaranteed Loans Outstanding			
1. Military Housing Privatization Initiative	\$	\$\$\$	\$ \$\$\$
2. Armament Retooling & Manufacturing Support Initiative		\$\$\$	\$\$\$
3. Total	\$	\$\$\$	\$\$\$
Prior FY			
Guaranteed Loans Outstanding			
1. Military Housing Privatization Initiative	\$	\$\$\$	\$ \$\$\$
2. Armament Retooling & Manufacturing Support Initiative		\$\$\$	\$\$\$
3. Total	\$	\$\$\$	\$ \$\$\$
Current FY			
New Guaranteed Loans Disbursed			
1. Military Housing Privatization Initiative	\$	\$\$\$	\$ \$\$\$
2. Armament Retooling & Manufacturing Support Initiative		\$\$\$	\$\$\$
3. Total	\$	\$\$\$	\$ \$\$\$
Prior FY			
New Guaranteed Loans Disbursed			
1. Military Housing Privatization Initiative	\$	\$\$\$	\$ \$\$\$
2. Armament Retooling & Manufacturing Support Initiative		\$\$\$	\$\$\$
3. Total	\$	\$\$\$	\$ \$\$\$

101009. Instructions

Present the outstanding amount of guaranteed loans for each loan guarantee program. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. Loan Valuation (Lines 1 and 2). For each loan guarantee program, report in column 1 the face value of outstanding principal of guaranteed loans disbursed by a third party. In column 2, report the amount of this outstanding principal that is guaranteed. Also report the amount of new guaranteed loans disbursed for the current and prior reporting years.

B. Total (Line 3). Present the total of lines 1 and 2 for each category.

C. Other Information. Identify other information related to guaranteed loans outstanding that is necessary to understand the nature of the loan.

Figure 10-17. Liabilities for Loan Guarantees

Liabilities for Loan Guarantees			
<i>As of [Current and Prior Fiscal Period End Date]</i>		Current FY	Prior FY
(Amounts in thousands)			
Liabilities for Loan Guarantees from Post-1991 (Present Value):			
1. Military Housing Privatization Initiative	\$	\$\$\$	\$ \$\$\$
2. Armament Retooling & Manufacturing Support Initiative		\$\$\$	\$\$\$
3. Total Loan Guarantee Liability (Post-1991)	\$	\$\$\$	\$ \$\$\$

101010. Instructions

Present the liabilities for loan guarantees for each loan guarantee program. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Military Housing Privatization Initiative (Line 1). Report the present value of current and prior year estimated net cash flows (outflows less inflows) to be paid as a result of loan guarantees.

B. Armament Retooling & Manufacturing Support Initiative (Line 2). Report the present value of current year and prior year estimated net cash flows (outflows less inflows) to be paid as a result of loan guarantees.

C. Total Loan Guarantee Liability (Post-1991) (Line 3). Report the total of Post-1991 Loan Guarantee Liabilities from Line 1 and Line 2.

D. Other Information. Identify other information necessary to understand the nature of the loan guarantee liability.

Figure 10-18. Subsidy Expense for Loan Guarantees by Program

Subsidy Expense for Loan Guarantees by Program													
As of [Current and Prior Fiscal Period End Date]													
(Amounts in thousands)													
(Current FY)		Interest Supplement		Defaults		Fees		Other		Total			
1. New Loan Guarantees Disbursed:		Military Housing Privatization Initiative		\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$		
		Armament Retooling & Manufacturing Support Initiative			\$\$\$		\$\$\$		\$\$\$		\$\$\$		
		Total		\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$		
		(Prior FY)		Interest Supplement		Defaults		Fees		Other		Total	
		2. New Loan Guarantees Disbursed:		Military Housing Privatization Initiative		\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
Armament Retooling & Manufacturing Support Initiative					\$\$\$		\$\$\$		\$\$\$		\$\$\$		
Total				\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$		
(Current FY)				Modifications		Interest Rate Reestimates		Technical Reestimates		Total Reestimates		Total	
3. Modifications and Reestimates:				Military Housing Privatization Initiative		\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
		Armament Retooling & Manufacturing Support Initiative			\$\$\$		\$\$\$		\$\$\$		\$\$\$		
		Total		\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$		
		(Prior FY)		Modifications		Interest Rate Reestimates		Technical Reestimates		Total Reestimates		Total	
		4. Modifications and Reestimates:		Military Housing Privatization Initiative		\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
Armament Retooling & Manufacturing Support Initiative					\$\$\$		\$\$\$		\$\$\$		\$\$\$		
Total				\$	\$\$\$	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$		
(Current Year				Prior FY									
5. Total Loan Guarantee:				Military Housing Privatization Initiative		\$	\$\$\$	\$	\$\$\$				
		Armament Retooling & Manufacturing Support Initiative			\$\$\$		\$\$\$						
		Total		\$	\$\$\$	\$	\$\$\$						

101011. Instructions

Report the estimated cash flows (on a present value basis) for the various subsidy expense components of the loan guarantee programs. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Subsidy Expense for New Loan Guarantees Disbursed – Current Year (Line 1). For new guaranteed loans that were disbursed to the borrowers by the third party lenders during the current year, report related subsidy expense as follows: in column 1, interest supplement costs; in column 2, defaults (net of recoveries); in column 3, estimated fees collected (offsetting expense); in column 4, other (cash flows); and in column 5, the total of columns 1 through 4.

B. Subsidy Expense for New Loan Guarantees Disbursed – Prior Year (Line 2). For new guaranteed loans that were disbursed to the borrowers by the third party lenders during the prior year, report related subsidy expense as follows: in column 1, interest supplement costs; in column 2, defaults (net of recoveries); in column 3, estimated fees collected (offsetting expense); in column 4, other (cash flows); and in column 5, total of columns 1 through 4.

C. Loan Guarantee Modifications and Reestimates – Current Year (Line 3). Report in column 1 the current year's subsidy cost of modifications of loan guarantees previously made; in column 2, report the current year's subsidy cost for interest rate reestimates [which](#) are due to a change in interest rates from the rate assumed in budget preparation and used in calculating the subsidy expense to the rates that are prevailing at the time the guaranteed loan is disbursed; in column 3, report the current year's subsidy cost for technical reestimates due to changes made in projected cash flows under the terms of the loan guarantees after reevaluating all the risk factors as of the financial statement date, except for the effect of interest rate reestimates; in column 4, report the total of columns 2 and 3; and in column 5, report the total of loan guarantee modifications and reestimates for the current year which is the sum of columns 1 and 4.

D. Loan Guarantee Modification and Reestimates – Prior Year (Line 4). Report in column 1 the prior year's subsidy cost of modifications of loan guarantees previously made; in column 2, the prior year's subsidy cost for interest rate reestimates; in column 3, the prior year's subsidy cost for technical reestimates; in column 4, the total of column 2 and 3; in column 5, the total of loan guarantee modifications and reestimates for the prior year which is the sum of columns 1 and 4.

E. Total Loan Guarantee Subsidy Expense – Current Year (Line 5). Report in column 1 (Current FY) the total subsidy expense for the current year's loan guarantees, modifications, and reestimates. In column 2 (Prior FY), [report](#) the total subsidy expense for the prior year's loan guarantees, modifications, and reestimates.

F. Other Information. Identify other relevant information for loan guarantee programs subsidy expenses. If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modifications. Also, if appropriate, disclose that the subsidy expense resulting from reestimates that is included in the financial statements is not reported in the budget until the following year.

Figure 10-19. Subsidy Rates for Loan Guarantees

Subsidy Rates for Loan Guarantees by Program					
As of [Current Fiscal Period End Date]	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
(Amounts in thousands)					
Budget Subsidy Rates for Loan Guarantees:					
1. Military Housing Privatization Initiative	XX.XX%	XX.XX%	XX.XX%	XX.XX%	XX.XX%
2. Armament Retooling & Manufacturing Support Initiative	XX.XX%	XX.XX%	XX.XX%	XX.XX%	XX.XX%

101012. Instructions

Report information on the subsidy rates for loan guarantees. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Military Housing Privatization Initiative and Armament Retooling & Manufacturing Support Initiative (Lines 1 and 2). Disclose the estimated subsidy rates for the following components: Interest Supplement costs (column 1); Default costs (net of recoveries) (column 2); Fees and Other Collections (column 3); and Other costs (column 4). These estimated subsidy rates for loan guarantees are in the current year's budget (President's Budget).

1. Subsidy Rates. These rates should be consistent with rates published in the Loan Guarantees: Assumptions Underlying the FY Subsidy Estimates Table, contained in the Federal Credit Supplement to the Budget of the U.S. Government, which is a supporting document to the budget. [Refer to the OMB Supplemental website for additional information.](#)

2. Subsidy Rate Amount. Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the guaranteed loans obligated. Entities may use trend data to display significant fluctuations in subsidy rates. Such trend data, if used, should be accompanied with analysis to explain the underlying causes for the fluctuations.

3. Subsidy Rate Applicability. The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loan guarantees reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

Figure 10-20. Schedule for Reconciling Loan Guarantee Liability Balances for Post-1991 Loan Guarantees

Schedule for Reconciling Loan Guarantee Liability Balances for Post-1991 Loan Guarantees			
As of [Current Fiscal Period End Date]		Current FY	Prior FY
(Amounts in thousands)			
Beginning Balance, Changes, and Ending Balance:			
1. Beginning Balance of the Loan Guarantee Liability	\$	\$\$\$	\$ \$\$\$
2. Add: Subsidy Expense for Guaranteed Loans Disbursed during the Reporting Years by Component			
A. Interest Supplement Costs	\$	\$\$\$	\$ \$\$\$
B. Default Costs (Net of Recoveries)		\$\$\$	\$\$\$
C. Fees and Other Collections		\$\$\$	\$\$\$
D. Other Subsidy Costs		\$\$\$	\$\$\$
E. Total of the above Subsidy Expense Components	\$	\$\$\$	\$ \$\$\$
3. Adjustments			
A. Loan Guarantee Modifications	\$	\$\$\$	\$ \$\$\$
B. Fees Received		\$\$\$	\$\$\$
C. Interest Supplements Paid		\$\$\$	\$\$\$
D. Foreclosed Property and Loans Acquired		\$\$\$	\$\$\$
E. Claim Payments to Lenders		\$\$\$	\$\$\$
F. Interest Accumulation on the Liability Balance		\$\$\$	\$\$\$
G. Other		\$\$\$	\$\$\$
H. Total of the above Adjustments	\$	\$\$\$	\$ \$\$\$
4. Ending Balance of the Loan Guarantee Liability Before Reestimates	\$	\$\$\$	\$ \$\$\$
5. Add or Subtract Subsidy Reestimates by Component			
A. Interest Rate Reestimate		\$\$\$	\$\$\$
B. Technical/Default Reestimate		\$\$\$	\$\$\$
C. Total of the above Reestimate Components	\$	\$\$\$	\$ \$\$\$
6. Ending Balance of the Loan Guarantee Liability	\$	\$\$\$	\$ \$\$\$

101013. Instructions

Display the reconciliation between the beginning and ending balances of the liability for outstanding loan guarantees reported in each entity's Balance Sheet based upon the following instructions. The reconciliation is required for loan guarantees committed on or after October 1, 1991, the effective date of the [*Federal Credit Reform Act of 1990*](#). Reporting entities are encouraged, but not required, to display reconciliations for loan guarantees committed prior to October 1, 1991, in schedules separate from the loan guarantees committed after September 30, 1991. Schedules for Pre-1992 loan guarantees would not have all the same reconciling items as for Post-1991 loan guarantees. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at *DoD AFSR&A* for additional information related to this disclosure.](#)

A. Beginning Balance of the Loan Guarantee Liability (Line 1). Report on Line 1 the beginning balance of the loan guarantee liability.

B. [Add: Subsidy Expense for Guaranteed Loans Disbursed during the Reporting Years by Component](#) (Lines 2.A through 2.E). Report the components of subsidy expense for guaranteed loans disbursed: Interest Supplemental Costs; Default Costs (Net of Recoveries); Fees and Other Collections; and Other Subsidy Costs. Total the components of subsidy expense for guaranteed loans.

C. Adjustments (Lines 3.A through 3.H). Report the following adjustments for loan guarantees: Loan Guarantee Modifications; Fees Received; Interest Supplements Paid; Foreclosed Property and Loans Acquired; Claim Payments to Lenders; Interest Accumulation on the Liability Balance; and Other adjustments. Total the adjustments for loan guarantees.

D. Ending Balance of the Loan Guarantee Liability Before Reestimates (Line 4). Report on Line 4 the sum of Lines 1, 2.E, and 3.H.

E. [Add or Subtract Subsidy Reestimates by Component](#) (Lines 5.A through 5.C). Report Interest Rate Reestimates and Technical/Default Reestimates for loan guarantees [and report the](#) total for loan guarantees.

F. Ending Balance of the Loan Guarantee Liability (Line 6). Report the sum of Lines 4 and 5.C.

101014. Administrative Expenses

Administrative expenses are salaries and other administrative expenses that have been accounted for in support of the direct loan or loan guarantee programs. Disclose the administrative expenses related to the direct loans and loan guarantee programs.

1011 NOTE 9. INVENTORY AND RELATED PROPERTY

101101. Note Schedule Format

Figure 10-21. Inventory and Related Property

Note 9. Inventory and Related Property			
<i>As of [Current and Prior Fiscal Period End Date]</i>		Current FY	Prior FY
(Amounts in thousands)			
1. Inventory, Net	\$	\$\$\$	\$ \$\$\$
2. Operating Materiel & Supplies, Net		\$\$\$	\$\$\$
3. Stockpile Materiel, Net		\$\$\$	\$\$\$
4. Total	\$	\$\$\$	\$ \$\$\$

101102. Instructions

In Figure 10-21, summarize the total amounts of Inventories and Other Related Property reported in Note 9. The Total (Line 4) should agree with the amount reported on the Balance Sheet. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

Figure 10-22. Inventory, Net

Inventory, Net									
As of [Current Fiscal Period End Date]		Current FY			Valuation Method				
		Inventory, Gross Value	Revaluation Allowance	Inventory, Net					
(Amount in thousands)					LAC, MAC LAC, MAC NRV MAC, SP, LAC AC				
1. Inventory Categories									
A. Available and Purchased for Resale		\$	\$\$\$	\$			\$\$\$	\$	\$\$\$
B. Held for Repair			\$\$\$				\$\$\$		\$\$\$
C. Excess, Obsolete, and Unserviceable			\$\$\$				\$\$\$		\$\$\$
D. Raw Materiel			\$\$\$				\$\$\$		\$\$\$
E. Work in Process			\$\$\$				\$\$\$		\$\$\$
F. Total Inventory, Net		\$	\$\$\$	\$	\$\$\$	\$	\$\$\$		
As of [Prior Fiscal Period End Date]		Prior FY			Valuation Method				
		Inventory, Gross Value	Revaluation Allowance	Inventory, Net					
(Amount in thousands)					LAC, MAC LAC, MAC NRV MAC, SP, LAC AC				
1. Inventory Categories									
A. Available and Purchased for Resale		\$	\$\$\$	\$			\$\$\$	\$	\$\$\$
B. Held for Repair			\$\$\$				\$\$\$		\$\$\$
C. Excess, Obsolete, and Unserviceable			\$\$\$				\$\$\$		\$\$\$
D. Raw Materiel			\$\$\$				\$\$\$		\$\$\$
E. Work in Process			\$\$\$				\$\$\$		\$\$\$
F. Total Inventory, Net		\$	\$\$\$	\$	\$\$\$	\$	\$\$\$		
Legend for Valuation Methods									
LAC = Latest Acquisition Cost		NRV = Net Realizable Value		MAC = Moving Average Cost					
SP = Standard Price		LCM = Lower of Cost or Market							
AC = Actual Cost		O = Other							

101103. Instructions

Report the **current year** and **prior year** net amount of each inventory category in accordance with the instructions provided in this chapter. Inventory categories include: Inventory Available and Purchased for Resale; Held for Repair; Excess, Obsolete and Unserviceable; Raw Materiel; and Work in Process. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. **Valuation.** Disclose the following for each category of inventory: in column 1, the **gross** amount recorded in the inventory system; in column 2, the revaluation allowance for holding gains (losses) on inventory, if any; in column 3 (column 1 plus column 2),

the net book value of the inventory; and in column 4, the valuation method used. The revaluation allowance represents adjustments to the recorded values in column 1 required to arrive at the value in column 3, in accordance with the applicable valuation methodology in column 4.

B. Valuation Method. Enter the appropriate valuation method using the codes from the legend for column 4: Latest Acquisition Cost (LAC) adjusted for holding gains and losses; Standard Price (SP); Actual Cost (AC); Net Realizable Value (NRV); Lower of Cost or Market (LCM); Other (O); and Moving Average Cost (MAC).

C. Available and Purchased for Resale (Line 1.A). Report inventory that is held for sale which includes consumable spare and repair parts, and repairable items owned and managed by DoD. This inventory includes materiel held due to a managerial determination that these items should be retained to support military or national contingencies.

D. Held for Repair (Line 1.B). Report inventory, held for repair, which includes damaged inventory that requires repairs to make it suitable for sale. DoD often relies on weapon systems and machinery no longer in production and encourages the repair and rebuilding of certain items. Inventory that has been identified as unserviceable, but not yet reviewed to determine its reparability, must be reported as held for repair. When an assessment has been conducted and it has been determined that it is not economically feasible to repair the item, the item must be reported as excess, obsolete and unserviceable.

*E. Excess, Obsolete, and Unserviceable (Line 1.C). Report inventory estimated to be potentially excess, obsolete, or beyond economic repair. Excess, obsolete, and unserviceable inventory must be valued at its expected net realizable value. Refer to the Volume 4, Chapter 4, paragraph 040303.D regarding the use of the net realizable value for excess inventory once this policy has been fully implemented by DoD.

F. Raw Materiel (Line 1.D). Report the raw materiel inventory.

G. Work in Process (Line 1.E). Report inventory that is work in process which includes costs related to the production or servicing of items, including direct materiel, direct labor, applied overhead, and other direct costs. This may also be used to accumulate the amount paid to a contractor under cost reimbursable contracts, including the amount withheld from payment to ensure performance, and the amount paid to other government plants for accrued costs of end items of materiel ordered but not yet delivered. Also, report work in process at depot maintenance activities.

H. Total Inventory, Net (Line 1.F). Report the sum of Lines 1.A. through 1.E. The amounts reported in columns 3 and 4 of this note should equal the amounts reported on Line 1 of Note 9 (the summary note for Inventory and Other Related Property), paragraph 101101.

I. Definitions of Inventory Gross Value, Revaluation Allowance, and Inventory, Net Columns. Column 1, Inventory, Gross Value, represents the standard value used

for inventory transactions in the financial system. Column 2, Revaluation Allowance, represents the difference between standard inventory values and either historical cost or net realizable value. Column 3, Inventory, Net, is approximate historical cost or net realizable value. Column 4, is the applicable valuation methodology used to arrive at the net inventory value.

J. Other Information (Related to Inventory). Disclose other information for the inventory component of the Inventory and Related Property line item on the reporting entity's Balance Sheet. At a minimum, reporting entities must disclose the following required information for Inventory, Net: (1) general composition of inventory, (2) changes from prior year's accounting methods, (3) restrictions on the use, sale and disposition of inventory or a statement disclosing that there are no restrictions, (4) restrictions on disposition of inventory as related to environmental or other liabilities, (5) decision criteria for identifying the category to which inventory is assigned, and (6) changes in the criteria for identifying the category to which inventory is assigned.

Figure 10-23. Operating Materiel and Supplies, Net

Operating Materiel and Supplies, Net				
As of [Current Fiscal Period End Date]	Current FY			
	OM&S, Gross Value	Revaluation Allowance	OM&S, Net	Valuation Method
(Amounts in thousands)				
1. OM&S Categories				
A. Held for Use	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	SP,LAC,MAC
B. Held for Repair	\$\$\$	\$\$\$	\$\$\$	SP,LAC,MAC
C. Excess, Obsolete, and Unserviceable	\$\$\$	\$\$\$	\$\$\$	NRV
D. Total OM&S	\$ \$\$\$	\$\$\$	\$ \$\$\$	
As of [Prior Fiscal Period End Date]	Prior FY			
	OM&S, Gross Value	Revaluation Allowance	OM&S, Net	Valuation Method
(Amounts in thousands)				
1. OM&S Categories				
A. Held for Use	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	SP,LAC,MAC
B. Held for Repair	\$\$\$	\$\$\$	\$\$\$	SP,LAC,MAC
C. Excess, Obsolete, and Unserviceable	\$\$\$	\$\$\$	\$\$\$	NRV
D. Total OM&S	\$ \$\$\$	\$\$\$	\$ \$\$\$	
Legend for Valuation Methods:				
LAC = Latest Acquisition Cost	NRV = Net Realizable Value	O = Other		
SP = Standard Price	LCM = Lower of Cost or Market			
AC = Actual Cost	MAC = Moving Average Cost			

101104. Instructions

Report the **current year and prior year** net amount of each OM&S category in accordance with the instructions provided in this chapter. OM&S include spare and repair parts, ammunition, tactical missiles, aircraft configuration pods, and centrally managed aircraft engines. OM&S categories include held for use; held for repair; and excess, obsolete, and unserviceable. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. **Valuation.** Disclose the following for each category of OM&S: in column 1, the **gross** amount reported in the inventory system; in column 2, the allowance for gains (losses) on OM&S, if any; in column 3 (column 1 plus column 2), the net book value; in **column 4**, the valuation method used. The amounts identified in column 2, revaluation allowance, represent the adjustment to the recorded value in column 1 that is required to arrive at the historical cost reported in column 3.

B. Held for Use (Line 1.A). Report OM&S Held for Use, which includes all issuable materiel.

C. Held for Repair (Line 1.B). Report OM&S Held for Repair, which includes all economically repairable materiel. OM&S that has been identified as unserviceable, but not yet reviewed to determine its reparability, must be reported as Held for Repair. When an assessment has been conducted and it has been determined that it is not economically feasible to repair the item, then the item must be reported as excess, obsolete, and unserviceable.

*D. Excess, Obsolete, and Unserviceable (Line 1.C). Report OM&S estimated to be potentially excess, obsolete, or beyond economic repair. Excess, obsolete, and unserviceable operating materials and supplies must be valued at their expected net realizable value. Refer to Volume 4, Chapter 4, paragraph 040202.C. regarding the use of the net realizable value for excess operating materials and supplies.

E. Total OM&S (Line 1.D). Report the sum of Lines 1.A through 1.C. The amounts reported on Line 1.D, column 3 of this note should equal the amounts reported on Line 2 of Note 9 (the summary note for Inventory and Related Property), paragraph 101101.

F. Valuation Method. Enter the appropriate valuation method using the codes from the following legend for column 4: Latest Acquisition Cost (LAC), adjusted for holding gains and losses; Standard Price (SP); Actual Cost (AC); Net Realizable Value (NRV); Lower of Cost or Market (LCM); Other (O); and Moving Average Cost (MAC).

G. Other Information (Related to OM&S). Disclose other information for the OM&S component of the Inventory and Related Property line item on the entity's Balance Sheet. At a minimum, reporting entities must disclose the following required information for OM&S, net: (1) general composition of OM&S; (2) changes from prior year's accounting methods; (3) restrictions on the use of OM&S or a statement disclosing that there are not restrictions; (4) decision criteria for identifying the category to which OM&S is assigned; and (5) changes in the criteria for identifying the category to which OM&S is assigned where applicable.

Figure 10-24. Stockpile Materiel, Net

Stockpile Materiel, Net				
As of [Current Fiscal Period End Date]	Current FY			Valuation Method
	Stockpile, Materiel Amount	Allowance for Gains (Losses)	Stockpile Materiel, Net	
(Amount in thousands)				
1. Stockpile Materiel Categories				
A. Held for Sale	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	AC, LCM, MAC
B. Held in Reserve for Future Sale	\$\$\$	\$\$\$	\$\$\$	AC, LCM
C. Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
As of [Prior Fiscal Period End Date]	Prior FY			Valuation Method
	Stockpile, Materiel Amount	Allowance for Gains (Losses)	Stockpile Materiel, Net	
(Amount in thousands)				
1. Stockpile Materiel Categories				
A. Held for Sale	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	AC, LCM, MAC
B. Held in Reserve for Future Sale	\$\$\$	\$\$\$	\$\$\$	AC, LCM
C. Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Legend for Valuation Methods				
LAC = Latest Acquisition Cost		NRV = Net Realizable Value		
SP = Standard Price		LCM = Lower of Cost of Market		
AC = Actual Cost		O = Other		
		MAC = Moving Average Cost		

101105. Instructions

This category of inventory is reserved for use exclusively within the Department by the National Defense Stockpile Transaction Fund. Report the **current year and prior year** net amount of each inventory category in accordance with the instructions provided in this chapter. The stockpile materiel categories are “Held for Sale” and “Held in Reserve for Future Sale”. Stockpile materiel is strategic and critical materiel, held due to statutory requirements, for use in national defense, conservation or national emergencies. All materiel held by the Defense National Stockpile is classified as Materiel Held in Reserve until congressional action declares the materiel no longer required to be stockpiled, and available for sale on the open market. When the authorization to offer materiel for sale is received, the materiel is reclassified to Materiel Held for Sale. Disposals cannot be made from the stockpile except for: (1) necessary upgrading, refining, or processing; (2) necessary rotation to prevent deterioration; (3) determination as excess with potential financial loss if retained; or (4) as authorized by law.

Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Valuation. For each category of Stockpile Materiel, disclose the amount reported in the logistics system in column 1; the allowance for gains (losses) on stockpile materiel, if any, in column 2; and the net book value of stockpile materiel (column 1 plus column 2) in column 3.

B. Valuation Method. [Enter the appropriate valuation method using the codes from the](#) legend for column 4: Latest Acquisition Cost (LAC), Standard Price (SP), Actual Cost (AC), Net Realizable Value (NRV), Other (O), Lower Cost of Market (LCM), and Moving Average Cost (MAC.)

C. Total Stockpile Materiel (Line 1.C). Report the total amounts for Stockpile Materiel in columns 3. These total amounts should equal the amounts reported on Line 3 of Note 9 (the summary note for Inventory and Related Property), paragraph 101101.

D. Other Information. Disclose other information for the Stockpile Materiel component of the Inventory and Other Related Property, Net line item on the Balance Sheet. At a minimum, the following information must be disclosed: (a) general composition of the stockpile materiel; (b) changes in prior year accounting methods; (c) restrictions on the use of materiel; (d) decision criteria for any stockpile materiel "Held for Sale;" (e) changes in the criteria for categorizing stockpile materiel as "Held for Sale;" and (f) estimated market price of stockpile materiel "Held for Sale."

1012 NOTE 10. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

Figure 10-25. General PP&E, Net, Note Schedule Format

Note 10. General PP&E, Net					
<i>As of [Current Fiscal Period End Date]</i>	Current FY				
	Depreciation/ Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
(Amounts in thousands)					
1. Major Asset Classes					
A. Land	N/A	N/A	\$\$\$	N/A	\$\$\$
B. Buildings, Structures, and Facilities	S/L	20 or 40	\$\$\$	\$\$\$	\$\$\$
C. Leasehold Improvements	S/L	Lease Term	\$\$\$	\$\$\$	\$\$\$
D. Software	S/L	2-5 or 10	\$\$\$	\$\$\$	\$\$\$
E. General Equipment	S/L	5 or 10	\$\$\$	\$\$\$	\$\$\$
F. Military Equipment	S/L	Various	\$\$\$	\$\$\$	\$\$\$
G. Assets Under Capital Lease ¹	S/L	Lease Term	\$\$\$	\$\$\$	\$\$\$
H. Construction-in- Progress (Excludes Military Equipment)	N/A	N/A	\$\$\$	N/A	\$\$\$
I. Other			\$\$\$	\$\$\$	\$\$\$
J. Total General PP&E			\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

* See ¹ Note 15 for additional information on Capital Leases

Legend for Depreciation/Amortization Methods:

S/L = Straight Line N/A = Not Applicable

Figure 10-25. General PP&E, Net, Note Schedule Format (continued)

As of [Prior Fiscal Period End Date]	Prior FY				
	Depreciation/ Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
(Amounts in thousands)					
1. Major Asset Classes					
A. Land	N/A	N/A	\$ \$\$\$	N/A	\$ \$\$\$
B. Buildings, Structures, and Facilities	S/L	20 or 40	\$\$\$	\$\$\$	\$\$\$
C. Leasehold Improvements	S/L	Lease Term	\$\$\$	\$\$\$	\$\$\$
D. Software	S/L	2-5 or 10	\$\$\$	\$\$\$	\$\$\$
E. General Equipment	S/L	5 or 10	\$\$\$	\$\$\$	\$\$\$
F. Military Equipment	S/L	Various	\$\$\$	\$\$\$	\$\$\$
G. Assets Under Capital Lease ¹	S/L	Lease Term	\$\$\$	\$\$\$	\$\$\$
H. Construction-in- Progress (Excludes Military Equipment)	N/A	N/A	\$\$\$	N/A	\$\$\$
I. Other			\$\$\$	\$\$\$	\$\$\$
J. Total General PP&E			\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
* See ¹ Note 15 for additional information on Capital Leases					

Legend for Depreciation/Amortization Methods:

S/L = Straight Line N/A = Not Applicable

101201. Instructions

Report the **current year** and **prior year** General PP&E by major class. Recognition and measurement criteria for general PP&E are in the [SFFAS No. 6](#), "Accounting for Property, Plant, and Equipment," as amended by [SFFAS No. 11](#), "Amendments to Accounting for PP&E – Definitional Changes," [SFFAS No. 16](#), "Amendments to Accounting for PP&E - Multi-Use Heritage Assets," and [SFFAS No. 23](#), "Eliminating the Category National Defense Property, Plant, and Equipment." Additional references to review are [SFFAS No. 10](#), "Accounting for Internal Use Software" and [SFFAS No. 35](#), "Estimating the Historical Cost of General Property, Plant, and Equipment - Amending Statements of Federal Financial Accounting Standards 6 and 23." Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. **Depreciation/Amortization Method (Column 1).** Report the depreciation or amortization method used: Straight Line (S/L) or Not Applicable (N/A).

B. **Service Life (Column 2).** Report the range of service life by Major Asset Class (e.g., 5, 10, 20 or 40 years) based on DoD Standard Recovery Periods contained in [Volume 4, Chapter 6](#).

C. Acquisition Value (Column 3). Report acquisition costs or estimated values by major asset class.

1. Assets Under Capital Lease (Line 1.G). For assets under capital lease, report the lesser of the present value or the fair value of the asset. The present value will be calculated (using either the lessor's implicit rate or the U.S. Treasury borrowing rate) of the rental or other lease payments during the lease term, and will exclude that portion of the payments representing executory costs paid to the lessor. Include a cross-reference to Note 15, "Other Liabilities", for additional information on capital leases.

2. Other (Line 1.I). Separately disclose as a subcomponent of Line 1.J any material amounts by Major Asset Class. Material is defined as any component of the "other" line that is greater than, or equal to, 10 percent of the value of the line.

D. Accumulated Depreciation/Amortization (Column 4). Report the accumulated depreciation/amortization through the current reporting period depreciation, by Major Asset Class.

E. Net Book Value (Column 5). Report the net book value of each Major Asset Class (acquisition cost less accumulated depreciation/amortization) in column 5 (column 3 plus column 4). The total of this column (Line 1.J) should agree with the amounts on the reporting entity's Balance Sheet.

F. General PP&E in the Possession of Contractors. Property in the hands of contractors is to be reported in accordance with Volume 4, Chapter 6.

G. Other Information. Disclose in the narrative sections of this note other relevant information for the General PP&E line item on the reporting entity's Balance Sheet.

1. Adjustments. If adjustments are required to existing PP&E in the period that the standards are implemented, in order to comply with the recognition and measurement criteria, the adjustments should be made and disclosed by Major Asset Class in accordance with the standard.

2. General Disclosures Related to General PP&E. Disclose the required information pertaining to General PP&E, such as: (a) restrictions on the use or convertibility of General PP&E (e.g., Outside the Continental U.S. real property) or a statement disclosing that there are no restrictions; (b) capitalization thresholds, including any changes in thresholds during the period; and (c) adjustments from changes in the accounting standards. If the acquisition cost is unknown for certain types or significant amounts of General PP&E, DoD Components must disclose the valuation method used to estimate the value reported.

3. Other. Disclose any item that is greater than, or equal to, 10 percent of the line titled "Other" (Line 1.I).

*101202. Heritage Assets

Heritage Assets are items of historical, natural significance, cultural, educational, or artistic (e.g., aesthetic) importance; or items with significant architectural characteristics. Heritage Assets are expected to be preserved indefinitely. Entities with Stewardship PP&E are required by *SFFAS No. 29*, “Heritage Assets and Stewardship Land”, to reference a note on the Balance Sheet where required disclosures relative to these assets are contained. Rather than a separate note, DoD discloses Heritage Assets with the General PP&E note.

Figure 10-26. Heritage Assets

Categories	Measure Quantity	Beginning Balance	Additions	Deletions	Ending Balance
Buildings and Structures	Each	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Archeological Sites	Each	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Museum Collection Items (Objects, Not Including fine art)	Each	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Museum Collection Items (Objects, fine art)	Each	\$\$\$	\$\$\$	\$\$\$	\$\$\$

A. Reporting. Reporting entities will disclose the beginning counts, additions, deletions, and ending counts of their Heritage Assets, by category for the period presented. Disclose the quantity of Multi-Use Heritage Assets (i.e., Heritage Asset buildings used predominantly for government operations) in the schedule, as well as reported as General PP&E.

Categories. Heritage Assets will be reported within the following categories.

a. Buildings and Structures. Building and Structures include buildings and structures that are listed on or eligible for listing on the National Register of Historic Places, including Multi-Use Heritage Assets. This category also includes National Historic Landmarks; buildings or structures that are contributing elements to districts listed on or eligible for the National Register of Historic Places or a National Historic Landmark District; and buildings and structures designated eligible in the National Register of Historic Places for purposes of Program Alternatives.

b. Archeological Sites. Archeological Sites include sites that have been identified, evaluated, and determined to be eligible for or are listed on the National Register of Historic Places.

c. Museum Collection Items. Museum Collection Items include items which are unique for one or more of the following reasons: historical or natural significance; cultural, educational or artistic importance; or significant technical or architectural characteristics. Museum collection items are divided into two subcategories: fine art and

objects. Fine art includes paintings, sculptures and other three dimensional art. Objects are current use, excess, obsolete, or condemned material; war trophies; personal property such as uniforms, medals, or diaries, and military equipment.

B. Disclosures. The following disclosures will be made for Heritage Assets (no asset dollar amounts will be made with the disclosures). Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.

1. A concise statement explaining how heritage assets relate to the reporting entity's mission.

2. A brief description of the reporting entity's stewardship policies for heritage assets. Stewardship policies for heritage assets are the goals and principles the reporting entity established to guide its acquisition, maintenance, use, and disposal of heritage assets consistent with statutory requirements, prohibitions, and limitations governing the entity and the heritage assets and/or stewardship land.

3. A concise description of each of the major categories of heritage assets. The appropriate level of categorization should be meaningful and determined by the reporting entity based on the entity's mission, types of assets, and how it manages the assets.

4. The number of physical units by major category of heritage assets use for which the entity is the steward, as of the end of the reporting period; physical units added and withdrawn during the year, and a description of the methods of acquisition and withdrawal.

5. Deferred Maintenance and Repair information regarding heritage assets should be reported in Required Supplementary Information (RSI) at year end only.

*101203. Stewardship Land

Stewardship Land is land and land rights owned by the Federal Government, but not acquired for, or in connection with, items of General PP&E. "Acquired for or in connection with" is defined as including land acquired with the intent to construct General PP&E and land acquired in combination with General PP&E. Each DoD Component responsible for such land will report Land classified as Stewardship Land. Without exception, all land provided to the Department from the public domain or at no cost, will be classified as Stewardship Land, regardless of its use. SFFAS No. 29 requires entities with Stewardship PP&E to reference a note on the Balance Sheet where required disclosures relative to these assets are contained. Rather than a separate note, DoD discloses Stewardship Land within the General PPE note.

Figure 10.27. Stewardship Lands

Facility Code	Facility Title	Beginning Balance	Additions	Deletions	Ending Balance
9110	Government Owned Land	X	X	X	X
9111	State Owned Land	X	X	X	X
9120	Withdrawn Public land	X	X	X	X
9130	Licensed and Permitted Land	X	X	X	X
9140	Public Land	X	X	X	X
9210	Land Easement	X	X	X	X
9220	In-leased Land	X	X	X	X
9230	Foreign Land	X	X	X	X
Grand Total					X
TOTAL - All Other Lands					X
TOTAL – Stewardship Land					X

A. Reporting. Reporting entities will disclose the beginning counts, additions, deletions, and ending counts of their Stewardship Land, by category. Report the facility codes and category descriptions. The predominant categories authorized for use as per Department of Defense Instruction (DoDI) 4165.14, “Real Property Inventory and Forecasting”.

1. Government Owned Land (Facility Code 9110) and State Owned Land (Facility Code 9111). This is land held in public trust and will be reported as Stewardship Land;

2. Withdrawn Public Land (Facility Code 9120). This is land held in public trust and will be reported as Stewardship Land;

3. Licensed and Permitted Land (Facility Code 9130);

4. Public Land (Facility Code 9140). This is land held in public trust and will be reported as Stewardship Land;

5. Land Easement (Facility Code 9210);

6. In-leased Land (Facility Code 9220); and

7. Foreign Land (Facility Code 9230).

B. Disclosures. The following disclosures will be made for Stewardship Land (no asset dollar amounts will be made with the disclosures). Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.

1. A concise statement explaining how stewardship land relates to the reporting entity's mission.
2. A brief description of the reporting entity's stewardship policies for stewardship land. Stewardship policies for stewardship land are the goals and principles the reporting entity established to guide its acquisition, maintenance, use, and disposal of heritage assets consistent with statutory requirements, prohibitions, and limitations governing the entity and the heritage assets and/or stewardship land.
3. A concise description of each of the major categories of stewardship land. The appropriate level of categorization should be meaningful and determined by the reporting entity based on the entity's mission, types of lands, and how it manages the land.
4. The number of physical units by major category of stewardship land use for which the entity is the steward as of the end of the reporting period. [This includes physical acres added and withdrawn during the year and a description of the methods of acquisition and withdrawal.](#)
5. [Deferred Maintenance and Repair](#) for stewardship land should be reported in [RSI](#) at year end only.

101204. Note 10. Assets Under Capital Lease, Note Schedule Format

Figure 10-28. Assets Under Capital Lease

Assets Under Capital Lease			
<i>As of [Current Fiscal Period End Date]</i>		Current FY	Prior FY
(Amounts in thousands)			
1. Entity as Lessee, Assets Under Capital Lease			
A. Land and Buildings	\$	\$\$\$	\$ \$\$\$
B. Equipment		\$\$\$	\$\$\$
C. Accumulated Amortization		\$\$\$	\$\$\$
D. Total Capital Leases	\$	\$\$\$	\$ \$\$\$

101205. Instructions

Report the Assets under Capital Lease by categories of land, building or equipment. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Summary of Assets Under Capital Lease (Lines 1.A through 1.D). By major category of asset, report the gross assets under capital lease and the total accumulated amortization. Sum the total of Lines 1.A through 1.C on Line 1.D. The amounts reported on line 1.D. should equal the amount reported on line 1.G of Figure 10-25, “General PP&E, Net”.

B. Information Related to Assets Under Capital Leases. Disclose any additional information related to assets under capital leases. Provide a narrative with all dollar amounts and reasons for this additional disclosure.

1013 NOTE 11. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Figure 10-29. Liabilities Not Covered by Budgetary Resources

Note 11.	Liabilities Not Covered by Budgetary Resources				
As of [Current Fiscal Period End Date]		Current FY		Prior FY	
(Amounts in thousands)					
1. Intragovernmental Liabilities					
A. Accounts Payable		\$	\$\$\$	\$	\$\$\$
B. Debt			\$\$\$		\$\$\$
C. Other Liabilities			\$\$\$		\$\$\$
D. Total Intragovernmental Liabilities		\$	\$\$\$	\$	\$\$\$
2. Nonfederal Liabilities					
A. Accounts Payable		\$	\$\$\$	\$	\$\$\$
B. Military Retirement Benefits and Other Federal Employee Benefits			\$\$\$		\$\$\$
C. Environmental Liabilities			\$\$\$		\$\$\$
D. Other Liabilities			\$\$\$		\$\$\$
E. Total Nonfederal Liabilities		\$	\$\$\$	\$	\$\$\$
3. Total Liabilities Not Covered by Budgetary Resources		\$	\$\$\$	\$	\$\$\$
4. Total Liabilities Covered by Budgetary Resources		\$	\$\$\$	\$	\$\$\$
5. Total Liabilities		\$	\$\$\$	\$	\$\$\$

101301. Instructions

Report the Liabilities Not Covered by Budgetary Resources which are liabilities for which Congressional action is needed before budgetary resources can be provided. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Liabilities Not Covered by Budgetary Resources (Lines 1 and 2). The amounts reported on Lines 1.A through 1.C of this note represent the portion of intragovernmental liabilities not covered by budgetary resources for Accounts Payable (Line 1.A); Debt (Line 1.B); and Other (intragovernmental) Liabilities (Line 1.C). Report on Line 1.D the sum of intragovernmental liabilities (Lines 1.A through 1.C). The amounts reported on Lines 2.A through 2.D of this note represent the portion of nonfederal liabilities not covered by budgetary resources for Accounts Payable (Line 2.A); Military Retirement Benefits and Other

Federal Employee Benefits (Line 2.B); Environmental Liabilities (Line 2.C); and Other (nonfederal) Liabilities (Line 2.D). Report on Line 2.E. the sum of nonfederal liabilities (Lines 2.A through 2.D).

B. Total Liabilities Not Covered by Budgetary Resources (Line 3). Report on Line 3 the sum of Line 1.D and Line 2.E.

C. Total Liabilities Covered by Budgetary Resources (Line 4). Report on Line 4 the total amount of liabilities covered by budgetary resources. Budgetary resources include: (1) new budget authority; (2) spending authority from offsetting collections; (3) recoveries of unexpired budget authority through downward adjustments of prior year obligations; (4) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year; and (5) permanent indefinite appropriations or borrowing authority, which have been enacted and signed into law as of the Balance Sheet date, provided that the resources may be apportioned by the OMB without further action by the Congress or without a contingency first having to be met.

D. Total Liabilities (Line 5). The amount reported on Line 5 is the sum of Line 3 and Line 4. Line 5 should equal the amount reported on the reporting entity's Balance Sheet.

E. Information Related to Liabilities Not Covered by Budgetary Resources. Disclose why material amounts and sensitive areas such as accounts payable and debt are not covered. Provide other information needed to understand the nature of liabilities not covered by budgetary resources. All entities reporting a balance on line 2B should disclose that Military Retirement **Benefits** and Other Federal Employment Benefits Not Covered by Budgetary Resources **which** comprise various employee actuarial liabilities not due and payable during the current fiscal year. These liabilities are primarily comprised of [Identify the content of Line 2B] \$XXX. Refer to Note 17, "Military Retirement and Other Federal Employment **Benefits**", for additional details and disclosures.

F. Other Liabilities. Disclose all items that are greater than, or equal to, 10 percent of the total Intragovernmental Other Liabilities and Nonfederal Other Liabilities. If no amount encompasses 10 percent or more, state the amount is attributable to multiple items.

1014 NOTE 12. ACCOUNTS PAYABLE

Figure 10-30. Accounts Payable

Note 12. Accounts Payable						
As of <i>[Current Fiscal Period End Date]</i>	Current FY					
	Accounts Payable		Interest, Penalties, and Administrative Fees		Total	
(Amounts in thousands)						
1. Intragovernmental Payables	\$	\$\$\$	N/A		\$	\$\$\$
2. Nonfederal Payables (to the Public)	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
3. Total	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
As of <i>[Prior Fiscal Period End Date]</i>	Prior FY					
	Accounts Payable		Interest, Penalties, and Administrative Fees		Total	
(Amounts in thousands)						
1. Intragovernmental Payables	\$	\$\$\$	N/A		\$	\$\$\$
2. Nonfederal Payables (to the Public)	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
3. Total	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$

101401. Instructions

Report the [current year](#) and [prior year](#) accounts payable for intragovernmental and nonfederal payables. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Intragovernmental Payables (Line 1). Disclose in column 1, that portion of the reporting entity's payables owed to other Federal entities (intragovernmental), e.g., for goods or services ordered and received but not yet paid. Interest, penalties and administrative fees in column 2 are not applicable to intragovernmental payables. In column 3, report the sum of columns 1 and 2. Report in column 3 the prior period amount for Intragovernmental Accounts Payable. The amount reported in column 3 must equal the total Intragovernmental Accounts Payable reported on the Balance Sheet.

B. Nonfederal Payables (to the Public) (Line 2). Disclose in column 1, the portion of the reporting entity's accounts payable that are owed to the public, e.g., for goods or services ordered and received but not yet paid. Report the interest, penalties, and administrative

fees in column 2. In column 3, report the sum of columns 1 and 2. The amount reported in column 3 must equal the total Nonfederal Accounts Payable reported on the Balance Sheet.

C. Total (Line 3). Report the sum of Lines 1 and 2 for columns 1 through 3.

D. Other Information. Disclose any other information needed to understand the nature of accounts payable being reported. Reporting Entities who are unable to track customer information at the transaction level must make additional disclosures. Disclose that the Reporting Entity's systems do not track intragovernmental transactions by customer at the transaction level. Therefore, internal DoD buyer-side balances are adjusted to agree with internal seller-side balances for revenue, accounts receivable, and unearned revenue. Accounts payable were adjusted by [Cite methodology: (1) reclassifying accounts between Federal and nonfederal accounts payable or (2) accruing additional accounts payable and expenses].

1015 NOTE 13. DEBT

Figure 10-31. Debt

Note 13. Debt			
As of <i>[Current Fiscal Period End Date]</i>	Current FY		
	Beginning Balance	Net Borrowing	Ending Balance
(Amounts in thousands)			
1. Agency Debt (Intragovernmental)			
A. Debt to the Treasury	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B. Debt to the Federal Financing Bank	\$\$\$	\$\$\$	\$\$\$
C. Total Agency Debt	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
2. Total Debt	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
As of <i>[Prior Fiscal Period End Date]</i>	Prior FY		
	Beginning Balance	Net Borrowing	Ending Balance
(Amounts in thousands)			
1. Agency Debt (Intragovernmental)			
A. Debt to the Treasury	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B. Debt to the Federal Financing Bank	\$\$\$	\$\$\$	\$\$\$
C. Total Agency Debt	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
2. Total Debt	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

101501. Instructions

Report the net amount of debt in accordance with the instructions provided in this chapter. Agency Debt (Intragovernmental) includes debt to the U.S. Treasury and debt to the Federal Financing Bank. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. Agency Debt (Lines 1.A through 1.C). For the current year and prior year, report the amount of debt owed to the U.S. Treasury, which includes direct loan and guaranteed loan financing account liabilities to the U.S. Treasury, as well as other debt owed to the U.S. Treasury on Line 1.A. Report the amount of debt owed to the Federal Financing Bank on Line 1.B. Line 1.C is the sum of Lines 1.A and 1.B. Report the beginning balance of borrowings in column 1; the current year net borrowing in column 2; and the ending current year balance in column 3.

B. Total Debt (Line 2). Report the amount reported on Line 1.C. Also, the Ending Balance on Line the 2 of this note must equal the balance for “Debt” on the reporting entity’s Balance Sheet.

C. Information Related to Debt. Provide other information needed to understand the nature of debt (e.g., write offs of debts owed to the U.S. Treasury or the Federal

Financing Bank) **which includes** direct loans and guaranteed loans financing account liabilities disclosed in paragraph 101001.

1. Disclose that the outstanding debt consists of interest and principal due to the U.S. Treasury and the Federal Financing Bank. State the specific purpose for which the reporting entity borrows funds.

2. Disclose that the reporting entity must pay the debt if borrowers (e.g. foreign country, ship leasing, or housing builder) default on the loan. For loan guarantees, the reporting entity must pay the amount of outstanding principal guaranteed.

1016 NOTE 14. ENVIRONMENTAL LIABILITIES AND DISPOSAL LIABILITIES

Figure 10-32. Environmental Liabilities and Disposal Liabilities

Note 14. Environmental Liabilities and Disposal Liabilities	
<i>As of [Current Fiscal Period End Date]</i>	Current Year Total
(Amounts in thousands)	
1. Environmental Liabilities—Nonfederal	
A. Accrued Environmental Restoration Liabilities	
1. Active Installations - Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR)	\$ \$\$. \$\$
2. Active Installations - Military Munitions Response Program (MMRP)	\$\$. \$\$
3. Formerly Used Defense Sites - IRP and BD/DR	\$\$. \$\$
4. Formerly Used Defense Sites - MMRP	\$\$. \$\$
B. Other Accrued Environmental Liabilities - Non BRAC	
1. Environmental Corrective Action	\$\$. \$\$
2. Environmental Closure Requirements	\$\$. \$\$
3. Environmental Response at Operational Ranges	\$\$. \$\$
4. Asbestos	\$\$. \$\$
5. Non-Military Equipment	\$\$. \$\$
6. Other	\$\$. \$\$
C. Base Realignment and Closure Installations	
1. Installation Restoration Program	\$\$. \$\$
2. Military Munitions Response Program	\$\$. \$\$
3. Environmental Corrective Action / Closure Requirements	\$\$. \$\$
4. Asbestos	\$\$. \$\$
5. Non-Military Equipment	\$\$. \$\$
6. Other	\$\$. \$\$
D. Environmental Disposal for Military Equipment/Weapons Programs	
1. Nuclear Powered Military Equipment/Spent Nuclear Fuel	\$\$. \$\$
2. Non-Nuclear Powered Military Equipment	\$\$. \$\$
3. Other Weapon Systems	\$\$. \$\$
E. Chemical Weapons Disposal Program	
1. Chemical Demilitarization – Chemical Materials Agency (CMA)	\$\$. \$\$
2. Chemical Demilitarization – Assembled Chemical Weapons Alternatives (ACWA)	\$\$. \$\$
3. Other	\$\$. \$\$
2. Total Environmental Liabilities	\$ \$\$. \$\$

Figure 10-32. Environmental Liabilities and Disposal Liabilities (continued)

Note 14. Environmental Liabilities and Disposal Liabilities	
<i>As of [Current Fiscal Period End Date]</i>	Prior Year Total
(Amounts in thousands)	
1. Environmental Liabilities—Nonfederal	
A. Accrued Environmental Restoration Liabilities	
1. Active Installations - Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR)	\$ \$.\$.
2. Active Installations - Military Munitions Response Program (MMRP)	\$.\$.
3. Formerly Used Defense Sites - IRP and BD/DR	\$.\$.
4. Formerly Used Defense Sites - MMRP	\$.\$.
B. Other Accrued Environmental Liabilities - Non BRAC	
1. Environmental Corrective Action	\$.\$.
2. Environmental Closure Requirements	\$.\$.
3. Environmental Response at Operational Ranges	\$.\$.
4. Asbestos	\$.\$.
5. Non-Military Equipment	\$.\$.
6. Other	\$.\$.
C. Base Realignment and Closure Installations	
1. Installation Restoration Program	\$.\$.
2. Military Munitions Response Program	\$.\$.
3. Environmental Corrective Action / Closure Requirements	\$.\$.
4. Asbestos	\$.\$.
5. Non-Military Equipment	\$.\$.
6. Other	\$.\$.
D. Environmental Disposal for Military Equipment/Weapons Programs	
1. Nuclear Powered Military Equipment/Spent Nuclear Fuel	\$.\$.
2. Non-Nuclear Powered Military Equipment	\$.\$.
3. Other Weapon Systems	\$.\$.
E. Chemical Weapons Disposal Program	
1. Chemical Demilitarization – Chemical Materials Agency (CMA)	\$.\$.
2. Chemical Demilitarization – Assembled Chemical Weapons Alternatives (ACWA)	\$.\$.
3. Other	\$.\$.
2. Total Environmental Liabilities	\$ \$.\$.

101601. Instructions

Present **current year and prior year** Environmental Liabilities in accordance with the instructions provided in this chapter, and the corresponding policy guidance presented in Volume 4, Chapter 13. Disclose and explain abnormal balances for any line item on the financial statement and applicable note schedule in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. Total Environmental Liabilities. The total environmental liability must be reported for each line in the schedule at Figure 10-32.

1. Environmental Liabilities Cost Estimates. Cost estimates consider, on a current cost basis, the anticipated costs of the level of effort required for remediating environmental cleanup sites, in compliance with associated environmental legal and regulatory requirements, and estimated environmental costs associated with the future closure of operations, including closure and disposal of PP&E. Such cost estimates must be based on the current technology available. The estimated liability may be a specific amount or a range of amounts. If some amount within the range is considered a better estimate than any other estimate, that amount must be used. If no amount within a range is considered a better estimate than the other estimates, the minimum amount in the range must be used, and the range disclosed under the note narrative.

a. The amount to be reported should be based on site level investigations and characterizations. Any estimate produced must be based on site specific information and cost models validated in accordance with DoDI [5000.61](#).

b. As investigation at a specific site proceeds, the estimate should be refined and reported as appropriate. NOTE: If a site (Site “A”) is similar to another site (Site “B”) for which valid cost estimates have been derived (through site level investigation and characterization), the estimate for recognizing a liability for the site (Site “A”) could be based on the valid cost estimate for the similar site (Site “B”). Additionally, the estimated cost of a future study (if required) must be recognized. If there is no comparable site, then the remediation cost for the site (Site “A”) is not considered reasonably estimable at this time, but the anticipated cost of conducting a future study plus any other required costs must be recognized.

c. All methods used to estimate the costs for this line (including the number of sites and costs estimates that are derived using data from similar sites) must be disclosed in note narrative, as well as any elements that could not be estimated.

B. Nonfederal Environmental Liabilities. All environmental liabilities are nonfederal liabilities and should be reported on lines 1.A.1 through 1.E.3. of the schedule at Figure 10-32.

1. Accrued Environmental Restoration Liabilities (Line 1.A). Accrued Environmental Restoration (cleanup) Liabilities represent the cost to correct past environmental problems that are funded from the Environmental Restoration Accounts in accordance with “Management Guidance for the Defense Environmental Restoration Program ([DERP](#))” and Volume 4, Chapter 13. These liabilities relate to PP&E, including acquired land and Stewardship Land, which are major asset categories described in Volume 4, Chapter 6. Environmental restoration activities may be conducted at operating installations and Formerly Used Defense Sites (FUDS), and other than operational ranges. Site inventory and estimated cost data prepared for the Defense Environmental Program Annual Report to the Congress is the baseline for environmental restoration (cleanup) liability measurement (e.g., the current cost to

acquire the required services). The following subparagraphs describe in more detail the categories of liabilities to be reported, as well as the applicable lines.

a. Active Installations - Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR) (Line 1.A.1). This line represents the environmental liabilities associated with remedial actions eligible for funding under the DERP. NOTE: Cleanup not eligible for DERP funding is reported in Line 1.B.1. These remedial actions may address:

(1) Hazardous substances, pollutants, and contaminants as defined in the Comprehensive Environmental Response, Compensation Liability Act (CERCLA);

(2) Hazardous waste or hazardous constituents addressed under the Resource Conservation Recovery Act (RCRA) corrective action process or other Federal or state statutes and regulations;

(3) Military munitions (e.g., Unexploded Ordnance (UXO) or Waste Military Munitions (WMM)), chemical residues from military munitions, and munitions scrap at locations other than operational ranges associated with an active installation, when the environmental restoration activity is incidental to the IRP environmental restoration activity; or

(4) Building Demolition/Debris Removal (BD/DR) program category is the demolition and removal of unsafe buildings and structures at facilities or sites owned by, leased to, or otherwise possessed by the U.S. and under the jurisdiction of the Secretary of Defense. For additional detail, refer to the Management Guidance for the DERP (Chapters 6 and 7) for program category definitions and funding eligibility criteria, respectively.

b. Active Installations-Military Munitions Response Program (MMRP) (Line 1.A.2). This line represents the environmental liabilities associated with the MMRP category that is defined as response actions (e.g., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (e.g., UXO or WMM) or the chemical residues of munitions at locations other than operational ranges. The contamination may include munitions, chemical residues from military munitions and munitions scrap at ranges other than operational ranges associated with active installations that pose a threat to human health or the environment. Refer to the Management Guidance for the DERP (Chapters 6 and 7) for more details on the definition of the MMRP category and funding eligibility criteria, respectively.

c. Formerly Used Defense Sites-IRP and BD/DR (Line 1.A.3). This line represents properties that meet the FUDS eligibility criteria described in the Management Guidance for the DERP. Include only those projects that address DoD hazardous, toxicological, and radiological waste (HTRW) and containerized HTRW (CON/HTRW) (e.g., storage tanks). Include environmental response actions related to hazardous substances (as defined in the CERCLA), pollutants or contaminants (as defined in the CERCLA), and DoD-unique materials. The BD/DR program category is defined as the demolition and removal of

unsafe buildings and structures at facilities or sites that are or were owned by, leased to, or otherwise possessed by the U.S. and under the jurisdiction of the Secretary of Defense. For additional detail, refer to the Management Guidance for the DERP (Chapters 6 and 7) for program category definitions and funding eligibility criteria, respectively.

d. Formerly Used Defense Sites - MMRP (Line 1.A.4). This line represents properties that meet the FUDS eligibility criteria described in the Management Guidance for the DERP. This line represents the environmental liabilities associated with the identification, investigation, and removal or remedial actions (or a combination of removal and remedial actions) to address military munitions (e.g., UXO or WMM), chemical residues from military munitions, and munitions scrap for those sites that are FUDS eligible. NOTE: Liabilities associated with remediation of contamination from non-munitions related activities must be included in line 1.A.3.

2. Other Accrued Environmental Liabilities - Non BRAC (Line 1.B). This line represents the costs to remediate cleanup sites that are not eligible for funding from Environmental Restoration Accounts. Other Accrued Environmental Liabilities also include environmental costs associated with the future closure of operations, including closure and disposal of PP&E. Although hazardous waste cleanup and disposal activities are normally thought of as a cost of ongoing operations, associated activities remain a liability if not disposed of or cleaned up by the financial reporting date. Thus, environmental conditions that result from current operations and require immediate cleanup, e.g. an oil spill or routine hazardous waste disposal, are not considered environmental liabilities and should be recognized as a current operating expense, assuming the DoD Component completes the cleanup, closure and disposal action in the current reporting period. The following subparagraphs describe in more detail the categories of liabilities to be reported, as well as the applicable lines.

a. Environmental Corrective Action (Line 1.B.1). This line represents those environmental liabilities associated with the cleanup sites not eligible for funding under the DERP, typically conducted under RCRA or other Federal or state statutes and regulations.

b. Environmental Closure Requirements (Line 1.B.2). This line represents the environmental liability associated with the future closure/decommissioning of facilities on an active installation that have environmental closure requirements. Examples include the future costs associated with closing a solid waste landfill, waste water treatment plant, fuel storage tanks, or permit requirements associated with treatment, storage and disposal facilities, and open burn/open detonation sites.

c. Environmental Response at Operational Ranges (Line 1.B.3). This line represents the environmental liability associated with the identification, investigation, and removal and remedial actions to address environmental contamination emanating from an operational range.

d. Asbestos (Line 1.B.4). This line represents environmental liability associated with the removal, containment, and/or disposal of friable (immediate health

threat) and nonfriable (not an immediate health threat): (1) asbestos-containing materials from property, or (2) material and/or property that consists of asbestos-containing material at permanent or temporary closure or shutdown of associated PP&E on [non-Base Realignment and Closure \(BRAC\)](#) installations.

e. Non-Military Equipment (Line 1.B.5). This line represents environmental liabilities resulting from the disposal of [non-military](#) equipment on [non-BRAC](#) installations. Non-Military equipment is equipment that is not intended to carry out battlefield missions. Environmental liability cost estimates associated with disposal include, on a current cost basis, the anticipated level of effort required to comply with environmental [Federal](#), state, and/or local statute, regulation, or other legal agreement specific to the equipment decommissioning and/or disposal.

f. Other (Line 1.B.6). This line covers environmental liabilities not covered by lines 1.B.1 through 1.B.5. Disclose the specific liabilities addressed in this line in a schedule.

3. Base Realignment and Closure (BRAC) Installations (Line 1.C). This line includes the cost to address environmental cleanup at bases that are realigning or closing. These liabilities can be from either past activities which are part of DERP or from activities that are not covered by DERP.

a. Installation Restoration Program (IRP) (Line 1.C.1). This line represents the environmental liabilities associated with remedial actions eligible for funding under the DERP. NOTE: BRAC cleanup not eligible for DERP funding is reported in Line 1.C.3. These remedial actions may address:

(1) Hazardous substances, pollutants, and contaminants as defined in the CERCLA,

(2) Hazardous waste or hazardous constituents being addressed under the RCRA corrective action process or other [Federal](#) or [state](#) statutes and regulations,

(3) Military munitions (e.g., UXO or WMM), chemical residues from military munitions, and munitions scrap at BRAC installations, when the environmental restoration activity is incidental to the IRP environmental restoration activity.

b. Military Munitions Response Program (MMRP) (Line 1.C.2). This line represents the environmental liabilities associated with the MMRP that is defined as response actions (e.g., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (e.g., UXO or WMM) or the chemical residues of munitions at locations other than operational ranges. The contamination may include munitions, chemical residues from military munitions, and munitions scrap at BRAC Installations (e.g., MMRP that pose a threat to human health or the

environment). Refer to the Management Guidance for the [DERP](#) for more details on the definition of the MMRP category and funding eligibility criteria, respectively.

c. Environmental Corrective Action/Closure Requirements (Line 1.C.3). This line represents those environmental liabilities associated with cleanup sites not eligible for funding under the DERP, typically conducted under RCRA or other Federal or state statutes and regulations. This line also includes the environmental liability associated with the future closure of facilities that have environmental closure requirements. Examples include the future costs associated with closing a solid waste landfill, waste water treatment plant, fuel storage tanks, or permit requirements associated with treatment, storage and disposal facilities, and open burn - open detonation sites.

d. Asbestos (Line 1.C.4). This line represents environmental liability associated with the removal, containment, and disposal of friable (immediate health threat) and nonfriable (not an immediate health threat). [The environmental liability includes](#): (1) asbestos containing materials from property, or (2) material and property that consist of asbestos containing material at permanent or temporary closure or shutdown of associated PP&E on BRAC installations.

e. Non-Military Equipment (Line 1.C.5). This line represents environmental liabilities resulting from the disposal of non-military equipment on BRAC installations. Non-military equipment is considered equipment that is not intended to carry out battlefield missions. Environmental liability cost estimates associated with disposal include, on a current cost basis, the anticipated level of effort required to comply with environmental Federal, state, and local statute, regulation, or other legal agreement specific to the equipment decommissioning and disposal.

f. Other (Line 1.C.6). This line covers environmental liabilities not covered by lines 1.C.1 through 1.C.5. Disclose the specific liabilities addressed in this line in a schedule.

4. Environmental Disposal for Military Equipment/Weapons Programs (Line 1.D). [This line represents](#) environmental disposal liabilities related to the final disposition of military equipment. Military equipment is comprised of items such as weapon systems and other equipment designed to carry out battlefield missions such as combat aircraft, pods, combat ships, support ships, satellites, and combat vehicles. Report the [Environmental Disposal Liabilities](#) on lines 1.D.1 through 1.D.3 by the following line items:

a. Nuclear Powered Military Equipment/Spent Nuclear Fuel (Line 1.D.1). [This line represents environmental disposal liabilities related to the nuclear powered military equipment and used fuel.](#)

b. Non - Nuclear Powered Military Equipment (Line 1.D.2). [This line represents environmental disposal liabilities related to the non-nuclear powered military equipment and used fuel.](#)

c. Other Weapons Systems (Line 1.D.3). This line covers environmental liabilities associated with disposal of military equipment/weapons systems not covered by lines 1.D.1 and 1.D.2. Disclose the specific liabilities addressed in this line in a schedule.

5. Chemical Weapons Disposal Program (Line 1.E). This line represents environmental remediation and disposal liabilities related to chemical agents. Report on lines 1.E.1 through line 1.E.3. Environmental Disposal Liabilities by the following line items:

a. Chemical Demilitarization – Chemical Materials Agency (Line 1.E.1). This line covers liabilities associated with the disposal of chemical constituents of military munitions, including the chemical byproducts of detonation, deflagration, or other reactive processes. These constituents are unconsumed explosives (even in trace concentrations) from the detonation of military munitions, explosives released by the structural compromise of unfired waste military munitions, and chemical agents released from chemical munitions.

b. Chemical Demilitarization – Assembled Chemical Weapon Alternatives (Line 1.E.2). This line covers liabilities associated with assembled chemical weapon alternatives. Assembled chemical weapon alternatives refer to weapons that contain a chemical agent in addition to explosives, propellant, and packaging materials. Examples include rockets, projectiles, and bombs.

c. Other (Line 1.E.3). This line covers environmental liabilities associated with chemical weapons disposal not covered by lines 1.E.1 through 1.E.2.

C. Total Environmental Liabilities (Line 2). The amount reported on this line equals the sum of lines 1.A.1 through 1.E.3.

D. Other Information Related to Environmental Liabilities. Provide the narrative disclosures as outlined; each section will have captions so the disclosures are readily segregated.

1. Applicable Laws and Regulations of Cleanup, Closure, and/or Disposal Requirements. DoD Components should address each of the applicable laws and regulations that are the source of their environmental liabilities. DoD is required to clean up contamination resulting from past waste disposal practices, leaks, spills, and other past activities, which have created a public health or environmental risk. DoD does this in coordination with regulatory agencies, and if applicable, with other responsible parties. The Department is also required to recognize closure and post-closure environmental costs for its General PP&E and environmental corrective action costs for current operations. Each of the Department's major reporting entities is responsible for tracking and reporting all required environmental information related to environmental restoration costs, other accrued environmental costs, environmental disposal costs of weapons systems, and environmental costs related to the BRAC actions. Examples of relevant laws and regulations that should be considered for discussion include, but are not limited to:

- a. CERCLA
- b. Superfund Amendments and Reauthorization Act
- c. Clean Water Act
- d. Safe Drinking Water Act
- e. Clean Air Act
- f. RCRA
- g. Toxic Substances Control Act
- h. Atomic Energy Act
- i. Nuclear Waste Policy Act
- j. Low Level Radioactive Waste Policy Amendments Act

2. Methods for Assigning Total Cleanup, Closure, and/or Disposal Costs to Current Operating Periods.

a. DoD Components should provide the method for assigning the estimated total cleanup, closure, and disposal costs to the current operating periods. DoD Components should not confuse this with how they budget for the liabilities. The Department policy is to comply with the accounting standards.

b. The Department uses engineering estimates and independently validated models to estimate environmental costs. The models are contained within the Remedial Action Cost Engineering Requirements and the Normalization of Data System. The Department validates the models in accordance with DoDI [5000.61](#) and primarily uses the models to estimate the liabilities based on data received during a preliminary assessment and initial site investigation. The Department primarily uses engineering estimates after obtaining extensive data during the remedial investigation/feasibility phase of the environmental project. Once the environmental cost estimates are complete, the Department complies with accounting standards to assign costs to current operating periods. The Department has already expensed the costs for cleanup associated with General PP&E placed into service prior to October 1, 1997 unless the costs are intended to be recovered through user charges. If the costs are recovered through user charges, then the Department expenses that portion of the asset that has passed since the General PP&E was placed into service and is systematically recognizing the remaining cost over the life of the assets. For General PP&E placed into service after September 30, 1997, the Department expenses the associated environmental costs systematically over the life of the asset. The Department expenses the full cost to cleanup contamination for stewardship PP&E at the time the asset is placed into service. The Department uses two methods

for systematic recognition: physical capacity for operating landfills and life expectancy in years for all other assets.

3. Provide a Description of the Types of Environmental Liabilities and Disposal Liabilities Identified. DoD Components should provide a general statement describing the types of their environmental and disposal liabilities. An example which could apply is as follows: “DERP sites at active installations, BRAC installations, FUDS, sites at active installations that are not covered by DERP, weapon systems programs, and chemical weapons disposal programs are required to provide a description of the environmental and/or disposal liabilities. DoD Components are required to cleanup DERP and sites not covered by DERP in coordination with regulatory agencies, other responsible parties, and current property owners. The weapons systems program consists of chemical weapons disposal, nuclear powered aircraft carriers, nuclear powered submarines, and other nuclear ships.”

4. Nature of Estimates and the Disclosure of Information Regarding Possible Changes due to Inflation, Deflation, Technology, Plans or Applicable Laws and Regulations. DoD Components should specifically identify any environmental liabilities that they know may change due to inflation, deflation, technology, plans and/or pending changes to applicable laws and/or regulations. If no known changes are pending, DoD Components should state that they are not aware of any pending changes but the liabilities can change in the future due to changes in laws and regulations, changes in agreements with regulatory agencies, and advances in technology.

5. Provide a Description of the Level of Uncertainty Regarding the Accounting Estimates used to Calculate the Reported Environmental Liabilities. DoD Components should provide a detailed description of the uncertainties regarding estimates of significant situations, (e.g., BRAC closures, environmental related disposals, ranges, chemical agents, and munitions). The disclosure should include a general statement followed with the specific details known about the uncertainties. The general statement could apply as follows: “The environmental liabilities for the Department are based on accounting estimates which require certain judgments and assumptions that we believe are reasonable based upon information available to us at the time of calculating the estimates. The actual results may vary materially from the accounting estimates if agreements with regulatory agencies require remediation to a different degree than anticipated when calculating the estimates. The liabilities can be further impacted if further investigation of the environmental sites discloses contamination different than known at the time of the estimates.” The disclosure should provide specific details such as: “In addition to the liabilities reported, (DoD Component) has a liability to take environmental restoration/corrective action for buried chemical munitions and agents. (DoD Component) is unable to provide a reasonable estimate at this time because the extent of the buried chemical munitions and agents is not known.” DoD Components should also disclose in this paragraph any liabilities that based on a range of estimated amounts.

6. Unrecognized Costs. DoD Components should provide the unrecognized portion of the estimated total cleanup, closure, or disposal costs associated with General PP&E. For General PP&E placed in service on or after October 1, 1997, DoD Components should systematically recognize the liability over the useful life of the assets. The

unrecognized portion of the total cleanup should equal the estimated total cleanup costs less the amount that is recognized on the financial statements. Please refer to Volume 4, Chapter 13, paragraph 130202 for further information on General PP&E requiring systematic recognition of the environmental liability.

7. Other Disclosures. DoD Components should provide any other information they believe material to the users of the financial statements.

101602. Definitions

The term liability, as defined by the FASAB, means a probable and measurable future outflow of resources arising from past transactions or events. While some categories of environmental liabilities and environmental disposal liabilities in Note 14 are self-explanatory (e.g., nuclear powered aircraft carriers, submarines, and other ships), the definitions are provided for clarity and to ensure consistency of reporting.

A. Environmental Liabilities. An environmental liability is a future outflow or expenditure of resources that exist as of the financial reporting date for environmental cleanup, closure, and/or disposal costs resulting from past transactions or events. A DoD environmental liability exists when: (1) contamination is present or likely to be present; (2) environmental cleanup, closure, and/or disposal is required by lease contracts, Federal, state, and/or local statute, regulation, or other legal agreement; and (3) the operations that created the liability are DoD related. An environmental liability may also exist if environmental contamination is not DoD related, but DoD enters into a binding agreement that formally accepts financial responsibility for cleanup, closure, and/or disposal. For accounting policy on measuring, recognizing, and disclosing environmental liabilities refer to Volume 4, Chapter 13.

B. Military Munitions. Military munitions are all ammunition products and components produced or used by or for DoD or the U.S. Armed Services for national defense and security, including military munitions under the control of DoD, the U.S. Coast Guard, the U.S. Department of Energy (DOE), and National Guard personnel. The term “military munitions” includes confined gaseous, liquid, and solid propellants; explosives; pyrotechnics; chemical and riot-control agents; smokes and incendiaries used by DoD Components, including bulk explosives and chemical warfare agents, chemical munitions, rockets, guided and ballistic missiles, bombs, warheads, mortar rounds, artillery ammunition, small arms ammunition, grenades, mines, torpedoes, depth charges, cluster munitions and dispensers, demolition charges, and devices and components. Military munitions do not include wholly inert items, improvised explosive devices, nuclear weapons, nuclear devices, and nuclear components. However, the term does include non-nuclear components of nuclear devices, managed under DOE's nuclear weapons program, after all required sanitation operations under the Atomic Energy Act of 1954, as amended, have been completed. Military munitions include munitions scrap, unexploded ordnance, WMM, and chemical residue.

1. Munitions Scrap. Munitions scrap includes the metal components of military munitions that remain from the destruction, detonation, demilitarization, or treatment of military munitions. Munitions scrap does not include concentrations of explosives or other

materiel associated with the scrap munitions that pose hazards to health, safety, or the environment.

2. Unexploded Ordnance. UXO includes military munitions that have been primed, fused, armed, or otherwise prepared for action, and have been fired, dropped, launched, projected, or placed in such a manner as to constitute a hazard to operations, installations, personnel, or materiel and remain unexploded either by malfunction, design, or any other cause.

3. Waste Military Munitions. For purposes of this document, WMM are defined as:

a. An unused munition that was abandoned by being disposed of, burned or incinerated, or treated prior to disposal.

b. A used or fired munition that was recovered, collected, and disposed of by burial, land-filling, or land treatment.

c. Explosive contaminated environmental media (e.g., soils, water, or air) where the concentration of the explosive present is sufficient to detonate or deflagrate when exposed to a strong initiating force or when the explosives are present at a concentration sufficient to make the soil a reactive hazardous waste under Title 40, Code of Federal Regulations, Section [261.23](#). Such contaminated media are to be managed as explosives and are subject to the explosives safety requirements (e.g., the hazard classification) applicable to the explosive present.

4. Chemical Residues from Military Munitions. Chemical residues from military munitions include the chemical byproducts of detonation, deflagration, or other reactive processes. Examples include unconsumed explosives (even in trace concentrations) from the detonation of a military munitions; explosives released by the structural compromise of an unfired waste military munitions; residues from the destruction of excess propellant bags in the course of training; and chemical agents released from chemical munitions.

C. Ranges. Ranges are designated land or water area set aside, managed, and used to conduct research, develop, test, and evaluate military munitions and explosives, other ordnance or weapon systems, or to train military personnel in their use and handling. Ranges include firing lines and positions, maneuver areas, firing lanes, test pads, detonation pads, impact areas, and buffer zones with restricted access and exclusionary areas. Military ranges also include bodies of water located within the boundaries of a military range (e.g., a stream, lake, or pond) or that are themselves a range (e.g., an offshore range in the Atlantic or Pacific Ocean). Such water areas include all waters of the U.S. (as defined under the Clean Water Act) and those ocean waters extending out to 200 nautical miles from the U.S. coast. A military range may be a single site or may be comprised of several sites. For the purposes of this document, there are two types of ranges, operational and other than operational, as described.

1. Operational Range. For purposes of this document, an operational range includes military ranges that are currently in service and are being regularly used for range activities. Operational ranges also include military ranges that are not currently being used, but: (a) are still considered by the cognizant Military Service to be a potential range area; and (b) have not been put to a new use that is incompatible with range activities.

2. Other Than Operational Range. For purposes of this document, a range that is other than operational includes closed, transferring, and transferred ranges. It is important to note that while other than operational ranges that meet the funding eligibility criteria for the MMRP category are addressed by DERP; there are MMRP sites that are not associated with a range. For more details, refer to the Management Guidance for the [DERP](#) (Chapters 6 and 7) for program category definitions and funding eligibility criteria, respectively.

a. Closed Range. A closed range is a military range that has been taken out of service as a range and that either has been put to new uses that are incompatible with range activities or is not considered by the military to be a potential range area. A closed range is still under the control of a DoD Component. For purposes of funding, a range that is transferring from DoD control through land transfer actions other than BRAC should be considered “closed.” For purposes of funding, a range transferred from DoD control that was not transferred as a result of BRAC and that is not FUDS eligible is considered “closed.”

b. Transferred Range. A transferred range is a property formerly used as a military range that is no longer under military control and has been leased by DoD, transferred, or returned from DoD to another entity, including Federal entities. A transferred range includes a military range that is no longer under military control, but was used under the terms of a withdrawal, executive order, special use permit or authorization, right-of-way, public land order, or other instrument issued by the Federal land manager. For purposes of funding, a range transferred from DoD control that is not transferred as a result of BRAC and that is not FUDS eligible is considered “closed.”

c. Transferring Range. A transferring range is a military range that is proposed to be transferred or returned from DoD to another entity, including Federal entities. A transferring range includes a military range that is used under the terms of a withdrawal, executive order, act of Congress, public land order, special use permit or authorization, right-of-way, or other instrument issued by the Federal land manager or property owner. An active, inactive, or a closed range will not be considered a “transferring range” until the transfer is imminent. For purposes of funding, a range that is transferring from DoD control through land transfer actions other than BRAC is considered “closed.”

1017 NOTE 15. OTHER LIABILITIES

Figure 10-33. Other Liabilities

Note 15. Other Liabilities						
As of [Current Fiscal Period End Date]	Current FY					
	Current Liability		Noncurrent Liability		Total	
(Amount in thousands)						
1. Intragovernmental						
A. Advances from Others	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
B. Deposit Funds and Suspense Account Liabilities		\$\$\$		\$\$\$		\$\$\$
C. Disbursing Officer Cash		\$\$\$		\$\$\$		\$\$\$
D. Judgment Fund Liabilities		\$\$\$		\$\$\$		\$\$\$
E. FECA Reimbursement to the Department of Labor		\$\$\$		\$\$\$		\$\$\$
F. Custodial Liabilities		\$\$\$		\$\$\$		\$\$\$
G. Employer Contribution and Payroll Taxes Payable		\$\$\$		\$\$\$		\$\$\$
H. Other Liabilities		\$\$\$		\$\$\$		\$\$\$
I. Total Intragovernmental Other Liabilities	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
2. Nonfederal						
A. Accrued Funded Payroll and Benefits	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
B. Advances from Others		\$\$\$		\$\$\$		\$\$\$
C. Deferred Credits		\$\$\$		\$\$\$		\$\$\$
D. Deposit Funds and Suspense Accounts		\$\$\$		\$\$\$		\$\$\$
E. Temporary Early Retirement Authority		\$\$\$		\$\$\$		\$\$\$
F. Nonenvironmental Disposal Liabilities:						
(1) Military Equipment (Nonnuclear)		\$\$\$		\$\$\$		\$\$\$
(2) Excess/Obsolete Structures		\$\$\$		\$\$\$		\$\$\$
(3) Conventional Munitions Disposal		\$\$\$		\$\$\$		\$\$\$
G. Accrued Unfunded Annual Leave		\$\$\$		\$\$\$		\$\$\$
H. Capital Lease Liability		\$\$\$		\$\$\$		\$\$\$
I. Contract Holdbacks		\$\$\$		\$\$\$		\$\$\$
J. Employer Contribution and Payroll Taxes Payable		\$\$\$		\$\$\$		\$\$\$
K. Contingent Liabilities		\$\$\$		\$\$\$		\$\$\$
L. Other Liabilities		\$\$\$		\$\$\$		\$\$\$
M. Total Nonfederal Other Liabilities	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
3. Total Other Liabilities						
	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$

Figure 10-33. Other Liabilities (continued)

As of [Prior Fiscal Period End Date]	Prior FY		
	Current Liability	Noncurrent Liability	Total
(Amount in thousands)			
1. Intragovernmental			
A. Advances from Others	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B. Deposit Funds and Suspense Account Liabilities	\$\$\$	\$\$\$	\$\$\$
C. Disbursing Officer Cash	\$\$\$	\$\$\$	\$\$\$
D. Judgment Fund Liabilities	\$\$\$	\$\$\$	\$\$\$
E. FECA Reimbursement to the Department of Labor	\$\$\$	\$\$\$	\$\$\$
F. Custodial Liabilities	\$\$\$	\$\$\$	\$\$\$
G. Employer Contribution and Payroll Taxes Payable	\$\$\$	\$\$\$	\$\$\$
H. Other Liabilities	\$\$\$	\$\$\$	\$\$\$
I. Total Intragovernmental Other Liabilities	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
2. Nonfederal			
A. Accrued Funded Payroll and Benefits	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B. Advances from Others	\$\$\$	\$\$\$	\$\$\$
C. Deferred Credits	\$\$\$	\$\$\$	\$\$\$
D. Deposit Funds and Suspense Accounts	\$\$\$	\$\$\$	\$\$\$
E. Temporary Early Retirement Authority	\$\$\$	\$\$\$	\$\$\$
F. Nonenvironmental Disposal Liabilities:			
(1) Military Equipment (Nonnuclear)	\$\$\$	\$\$\$	\$\$\$
(2) Excess/Obsolete Structures	\$\$\$	\$\$\$	\$\$\$
(3) Conventional Munitions Disposal	\$\$\$	\$\$\$	\$\$\$
G. Accrued Unfunded Annual Leave	\$\$\$	\$\$\$	\$\$\$
H. Capital Lease Liability	\$\$\$	\$\$\$	\$\$\$
I. Contract Holdbacks	\$\$\$	\$\$\$	\$\$\$
J. Employer Contribution and Payroll Taxes Payable	\$\$\$	\$\$\$	\$\$\$
K. Contingent Liabilities	\$\$\$	\$\$\$	\$\$\$
L. Other Liabilities	\$\$\$	\$\$\$	\$\$\$
M. Total Nonfederal Other Liabilities	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
3. Total Other Liabilities	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

101701. Instructions

Present Other Liabilities for the current and prior fiscal years that are not included elsewhere on the Balance Sheet based upon the instructions in the chapter. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. General Guidance on Other Liabilities

1. Other Liabilities include, but are not limited to capital lease liabilities; insurance; advances and prepayment from others; deposit fund amounts held in escrow; contingent liabilities; contract holdbacks; accrued liabilities related to ongoing continuous expenses, such as Federal employee salaries and accrued employee annual leave; and resources payable to the U.S. Treasury and other accrued liabilities.

2. Clean up costs will not be included in Other Liabilities because they are reported as environmental liabilities or the environmental portion of disposal costs in the Environmental Liabilities and Disposal Liabilities note (Note 14).

3. Contingent liabilities must be reported on the Other Liabilities line of the Balance Sheet. All the following conditions must be met for a contingent liability to be recognized: (a) a past event or exchange transaction has occurred; (b) a future outflow or other sacrifice of resources is probable; and (c) the future outflow or sacrifice of resources is measurable. The amount to be reported (recognized) on the Balance Sheet is the total amount of the estimated probable loss. Examples of claims or other contingencies include: (a) indemnity agreement reimbursements due to licensees or contractors for losses incurred in support of Federal activities; (b) adjudicated claims against the Federal Government that are in the process of judicial proceedings; and (c) the unfunded portion of total liabilities to international institutions.

4. Current liabilities represent debt due to be paid within 12 months of the Balance Sheet date. Noncurrent liabilities represent debt that is due to be paid beyond 12 months from the Balance Sheet date.

B. Intragovernmental (Lines 1.A through 1.H). Report Intragovernmental Other Liabilities on Lines 1.A through 1.H.

1. Advances from Others (Line 1.A). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

2. Deposit Funds and Suspense Account Liabilities (Line 1.B). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

3. Disbursing Officer Cash (Line 1.C). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

4. Judgment Fund Liabilities (Line 1.D). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Include liabilities for

reimbursements due to the judgment fund for claims paid by the judgment fund related to the DoD reporting entity.

5. Federal Employees' Compensation Act Reimbursement to the Department of Labor (Line 1.E). The Federal Employees' Compensation Act (FECA) provides benefit coverage for death, disability, medical, and miscellaneous costs for approved cases of on the job incidents. FECA claims are submitted to and approved by the Department of Labor (DOL). DOL pays the claim holders, then prepares a charge back billing to the responsible Agencies. Public law 93-416, Section 8147 essentially gives agencies two years to pay this charge back bill, allowing time for the amount to be included in their budgets. Under the FECA law, once funding is received, it should be paid within 30 days. If DoD still has some amounts outstanding, these amounts should be reflected as covered by budgetary resources and an explanation for late payment is required. Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total liability for FECA reimbursement to the DOL.

6. Custodial Liabilities (Line 1.F). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

7. Employer Contribution and Payroll Taxes Payable (Line 1.G). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

8. Other Liabilities (Line 1.H). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

9. Total Intragovernmental Other Liabilities (Line 1.I). The amounts reported represent the sum of Lines 1.A through Lines 1.H. for each column (1, 2, and 3). Also, line 1.I of this note should equal the amount reported on the reporting entity's Balance Sheet. In addition, disclose the total Intragovernmental portion of other liabilities not covered by budgetary resources in the Liabilities Not Covered by Budgetary Resources, Note 11.

C. Nonfederal Other Liabilities (Lines 2.A through 2.L). Report Nonfederal Other Liabilities.

1. Accrued Funded Payroll and Benefits (Line 2.A). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

2. Advances from Others (Line 2.B). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

3. Deferred Credits (Line 2.C). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

4. Deposit Funds and Suspense Accounts (Line 2.D). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

5. Temporary Early Retirement Authority (Line 2.E). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

6. Nonenvironmental Disposal Liabilities (Line 2.F). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Breakout the Nonenvironmental Disposal Liabilities by the following categories: (a) Military Equipment (Non-nuclear); (b) Excess and/or Obsolete Structures; and (c) Conventional Munitions Disposal.

7. Accrued Unfunded Annual Leave (Line 2.G). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

8. Capital Lease Liability (Line 2.H). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

9. Contract Holdbacks (Line 2.I). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

10. Employer Contribution and Payroll Taxes Payable (Line 2.J). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

11. Contingent Liabilities (Line 2.K). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. [Refer to the financial reporting guidance at DoD AFSR&A for additional information on contingent liabilities.](#)

12. Other Liabilities (Line 2.L). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

13. Total Nonfederal Other Liabilities (Line 2.M). The amounts reported on Line 2.M represent the sum of Lines 2.A through Lines 2.L for each column (1, 2 and 3). Also, Line 2.M of this note should equal the amount reported on the reporting entity's Balance Sheet. In addition, disclose the total nonfederal portion of other liabilities not covered by budgetary resources in the Liabilities Not Covered by Budgetary Resource, [Note 11](#).

D. Total Other Liabilities (Line 3). The amounts represent the sum of Lines 1.I and 2.M for each column (1, 2, and 3).

E. Other Information Pertaining to Other Liabilities. Report other information relevant to other liabilities that is not in the categories. Disclose all items that are greater than, or equal to, 10 percent of the line value for Intragovernmental Other Liabilities and Nonfederal Other Liabilities. In addition, disclose any delinquent FECA bills due to the DOL for FECA, including amounts.

Figure 10-34. Capital Lease Liability

As of [Current Fiscal Period End Date]	Current FY			
	Asset Category			
	Land and Buildings	Equipment	Other	Total
(Amounts in thousands)				
1. Future Payments Due	■			
A. Current Fiscal Year (CY)	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B. Fiscal Year 1 (CY + 1)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
C. Fiscal Year 2 (CY + 2)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
D. Fiscal Year 3 (CY + 3)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
E. Fiscal Year 4 (CY + 4)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
F. Fiscal Year 5 (CY + 5)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
G. After 5 Years	\$\$\$	\$\$\$	\$\$\$	\$\$\$
H. Total Future Lease Payments Due	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
I. Less: Imputed Interest Executory Costs	\$\$\$	\$\$\$	\$\$\$	\$\$\$
J. Net Capital Lease Liability	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
2. Capital Lease Liabilities Covered by Budgetary Resources	■			\$ \$\$\$
3. Capital Lease Liabilities Not Covered by Budgetary Resources				\$ \$\$\$
As of [Prior Fiscal Period End Date]	Prior FY			
	Asset Category			
	Land and Buildings	Equipment	Other	Total
(Amounts in thousands)				
1. Future Payments Due	■			
A. Prior Fiscal Year (PY)	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B. Fiscal Year 1 (PY + 1)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
C. Fiscal Year 2 (PY + 2)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
D. Fiscal Year 3 (PY + 3)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
E. Fiscal Year 4 (PY + 4)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
F. Fiscal Year 5 (PY + 5)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
G. After 5 Years	\$\$\$	\$\$\$	\$\$\$	\$\$\$
H. Total Future Lease Payments Due	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
I. Less: Imputed Interest Executory Costs	\$\$\$	\$\$\$	\$\$\$	\$\$\$
J. Net Capital Lease Liability	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
2. Capital Lease Liabilities Covered by Budgetary Resources	■			\$ \$\$\$
3. Capital Lease Liabilities Not Covered by Budgetary Resources				\$ \$\$\$

*101702. Instructions

Present capital lease liabilities for the current and prior FY in accordance with the instructions provided in this chapter. OMB [A-136](#) requires note disclosures for the lessee and the lessor and disclosure of capital and operating leases. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure. OMB A-136 instructions for this note schedule reflect future payment disclosure requirements for five fiscal years and all remaining payments due in later years (after 5 years). While OMB A-136 presentation is appropriate for end of year reporting, quarterly reporting requires an additional Line "1.A" for payments due in the remaining current year and will result in the reporting of 6 fiscal years during quarters 1 through 3, instead of the 5 fiscal years displayed in OMB A-136.

A. Future Payments Due (Lines 1.A through 1.G). Report the future lease payments, by major category (columns 1, 2, and 3) for all noncancelable leases with terms longer than 1 year. Enter the total information in column 4.

B. Total Future Lease Payments Due (Line 1.H). Report the total future lease payments due for columns 1, 2, and 3. Enter the total information in column 4.

C. Less: Imputed Interest Executory Costs (Line 1.I). Report the imputed interest and executory costs for columns 1, 2, and 3. Enter the total information in column 4.

D. Net Capital Lease Liability (Line 1.J). The Net Capital Lease Liability should equal the total reported on the Other Liabilities, [Note 15](#) for nonfederal Capital Lease Liability. Enter the total information in column 4.

E. Covered by Budgetary Resources Versus Not Covered by Budgetary Resources (Lines 2 and 3). Separately disclose the portions of the capital lease liability covered by budgetary resources and not covered by budgetary resources. (Refer to [Appendix B](#) of the OMB Circular A-11 for additional guidance, but notice a difference in terminology. The term "capital leases" as used in this volume includes "capital leases and lease purchases").

F. Fiscal Year Information. The information presented in the Future Payments Due column should be an actual fiscal year. For example, if the report is for FY 2009, then Line 1.A, Current Year, must be displayed as FY 2009. Fiscal Year 1 (Line 1.B) must be displayed as FY 2010 and Year 2 (Line 1.C) must be displayed as FY 2011. For quarterly reporting, report the payments remaining for the current FY (e.g., FY 2009) on Line 1.A.

1018 NOTE 16. COMMITMENTS AND CONTINGENCIES

101801. Instructions

A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity. The uncertainty should ultimately be resolved when one or more future events occur or fail to occur. The likelihood that the future event or events will result in the loss or the incurrence of a liability can range from probable to remote. [SFFAS](#)

[No. 5](#), “Accounting for Liabilities of the Federal Government” as amended by [SFFAS No. 12](#), “Recognition of Contingent Liabilities Arising from Litigation: [An Amendment to SFFAS 5, Accounting for Liabilities of the Federal Government](#)”, contains the criteria for recognition and disclosure of contingent liabilities. It provides an exception to the contingent liability standard for recognizing loss contingencies on matters of pending or threatened litigation and unasserted claims. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Disclosure versus Recognition of Contingent Liabilities. Use the commitment and contingencies note to disclose contingent liabilities that do not meet the criteria for recognition on the books of a reporting entity. The contingent liabilities that meet the recognition criteria are recorded on the books of the reporting entity and are included on the applicable liability line(s) of the Balance Sheet (e.g., Environmental Liabilities and Disposal Liabilities; and Other Liabilities) and in notes, as appropriate.

B. Criteria for Disclosure of a Contingent Liability. A contingent liability must be disclosed if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. Disclosure in this context refers to the reporting information in notes regarded as an integral part of the basic financial information.

C. Required Disclosures. Include contingent liabilities that meet the criteria for disclosure:

1. Each reporting entity should review its financial processes, systems, and data and modify or expand, as necessary. The disclosure statement [should be a complete and accurate representation of contingent liabilities. An example of the disclosure statement is:](#) “The reporting entity is a party in various administrative proceedings and legal actions, and claims. The Balance Sheet includes an estimated liability for those legal actions where the management and Chief Counsel consider adverse decisions “probable” and the amount of loss is measurable. In the event of an adverse judgment against the Government, some of the liabilities may be payable from the Judgment Fund. The reporting entity records Judgment Fund liabilities in Note 15, “Other Liabilities” and Note 12, “Accounts Payable.” [Refer to Notes 15 and 12 for details.”](#)

2. Disclose the nature of the contingency and an estimate of the possible liability, an estimate of the range of the possible liability, or a statement that such an estimate cannot be made. Amounts disclosed for litigations claims, and assessments are fully supportable and agree with the agency’s legal representation letters and management summary schedule. (This disclosure refers to the Management Representation Letter and the supporting Management Summary Schedule. This disclosure is applicable only to entities audited by DoD Inspector General (IG) or an independent accounting firm.)

3. Disclose amounts for potential future financial obligations, such as contractual arrangements [including](#) fixed price contracts with escalation, price redetermination, or incentive clauses; contracts authorizing variations in quantities; and contracts where allowable

interest may become payable based on contractor claims under the "Disputes" clause contained in contracts. Amounts disclosed should represent future potential liabilities and should not include amounts already recognized as contingent liabilities in Note 15, "Other Liabilities." Consideration should be given to disclosing the difference between the maximum or ceiling amounts and amounts recognized in Note 15 when it is reasonably possible that the maximum amount may be paid.

4. In addition to the contingent liability disclosures required, the following must be disclosed as required by OMB: (1) an estimate of obligations related to canceled appropriations for which the reporting entity has a contractual commitment for payment; (2) amounts for contractual arrangements which may require future financial obligations.

5. Disclose any other applicable contingencies, along with additional information to clarify the nature of the contingency. If a contingent liability has been recognized for all or part of the item(s), disclose it in Note 15, "Other Liabilities" and do not include in Note 16.

6. For reporting entities that are unable to disclose contingencies related to specific contracts, disclose that the reporting entity "is a party in numerous individual contracts that contain clauses, such as price escalations, award fee payments, or dispute resolution, that may or may not result in future outflow of expenditures. Currently, the entity does not have a systemic process by which it captures or assesses these potential contingent liabilities. Therefore, the amounts reported may not fairly present the reporting entity's contingent liabilities."

1019 NOTE 17. MILITARY RETIREMENT AND OTHER FEDERAL EMPLOYMENT BENEFITS

Figure 10-35. Military Retirement and Other Federal Employment Benefits

As of [Current Fiscal Period End Date]	Current Fiscal Year		
	Liabilities	(Less: Assets Available to Pay Benefits)	Unfunded Liabilities
(Amounts in thousands)			
1. Pension and Health Benefits			
A. Military Retirement Fund	\$	\$\$\$	\$
B. Military Pre Medicare-Eligible Retiree Health Benefits		\$\$\$	\$\$\$
C. Military Medicare-Eligible		\$\$\$	\$\$\$
D. Total Pension and Health	\$	\$\$\$	\$
2. Other Actuarial Benefits			
A. FECA	\$	\$\$\$	\$
B. Voluntary Separation Incentive Programs		\$\$\$	\$\$\$
C. DoD Education Benefits Fund		\$\$\$	\$\$\$
D. Other		\$\$\$	\$\$\$
E. Total Other Benefits	\$	\$\$\$	\$
3. Total Military Retirement and Other Federal Employment Benefits	\$	\$\$\$	\$

Actuarial Cost Method Used:

Assumptions:

Market Value of Investments in Market-based and Marketable Securities:

Figure 10-35. Military Retirement and Other Federal Employment Benefits (continued)

As of [Prior Fiscal Period End Date]	Prior Fiscal Year		
	Liabilities	(Less: Assets Available to Pay Benefits)	Unfunded Liabilities
(Amounts in thousands)			
1. Pension and Health Benefits			
A. Military Retirement Fund	\$	\$\$\$	\$
B. Military Pre Medicare-Eligible Retiree Health Benefits		\$\$\$	\$\$\$
C. Military Medicare-Eligible		\$\$\$	\$\$\$
D. Total Pension and Health	\$	\$\$\$	\$
2. Other Actuarial Benefits			
A. FECA	\$	\$\$\$	\$
B. Voluntary Separation Incentive Programs		\$\$\$	\$\$\$
C. DoD Education Benefits Fund		\$\$\$	\$\$\$
D. Other		\$\$\$	\$\$\$
E. Total Other Actuarial Benefits	\$	\$\$\$	\$
3. Total Military Retirement and Other Federal Employment Benefits	\$	\$\$\$	\$

Actuarial Cost Method Used:

Assumptions:

Market Value of Investments in Market-based and Marketable Securities:

*101901. Instructions

Present Military Retirement Benefits and Other Federal Employment Benefits for the **current and prior FY** based on the following instructions. NOTE: The information required in the note should be reported by the entity that administers the benefit(s), except for Line 2.A, FECA. Include amounts owed to DOL for estimated actuarial liabilities for future workers' compensation benefits. Refer to the [DOL website](#) for the DOL Actuarial Memorandum which will provide information to assist in answering the following information. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. Pension and Health Actuarial Benefits (Lines 1.A through 1.C). Report the pension and health benefit liabilities for Military Retirement Fund (MRF), Military Pre Medicare-Eligible Retiree Health Benefits, and Military Medicare-Eligible Retiree Benefits.

1. Liabilities (Column 1). Report the actuarial present value of projected benefits accrued to date. For pensions, this would be the projected benefit obligation.

a. MRF accumulates funds used to pay pensions and annuities to retired military personnel and their survivors. MRF is a single employer defined benefit plan. MRF will report the actuarially determined present value of all future pensions earned to date, using the “aggregate entry age” normal cost method. This is a method whereby projected retirement costs are spread over the projected future salaries of a new entrant cohort. (Refer to Volume 4, Chapter 10 for further guidance.)

b. The Military Pre Medicare-Eligible Retiree Health Benefits will include beneficiaries of the Defense Health Program (DHP), retirees, their dependents, and survivors who are not yet Medicare-eligible. The DHP will report the actuarially determined present value of all retirement benefits earned to date, using the “aggregate entry age” normal cost method. This is a method whereby projected medical costs are spread over the projected future service of a cohort at the point of entry. (Refer to Volume 4, Chapter 10 for further guidance).

c. The Military Medicare-Eligible Retiree Health Care Fund (MERHCF) accumulates funds to pay for health care programs for Medicare-eligible Military and other Uniformed Service retirees and their Medicare-eligible dependents or survivors. The Military MERHCF will report the actuarial present value of projected benefits accrued to date, using the “aggregate entry age” normal cost method. This is a method whereby projected retiree medical plan costs are spread over the projected service of a new entrant cohort.

d. Total Pension and Health Benefits line is the sum of lines 1.A through 1.C.

2. Less: Assets Available to Pay Benefits (Column 2). Report the net assets, if any, available to pay benefits.

3. Unfunded Liabilities (Column 3). Report the actuarial liabilities not covered by budgetary resources, e.g., the actuarial present value of projected benefits (column 1) less funded assets available to pay benefits (Column 2).

B. Other Actuarial Benefits (Lines 2.A through 2.D). Report Other Employment Related Actuarial Liabilities.

1. Liabilities (Column 1). Report the actuarial present value of projected benefits accrued to date. Total Other Actuarial Benefits line (2.E) is the sum of lines 2.A through 2.D.

2. Less: Assets Available to Pay Benefits (Column 2). Report the net assets, if any, available to pay benefits.

3. Unfunded Liabilities (Column 3). Report the actuarial liabilities not covered by budgetary resources, e.g., the actuarial present value of projected benefits (column 1) less funded assets available to pay benefits (Column 2).

C. Total Military Retirement and Other Federal Employment Benefits (Line 3). Enter the sum of the totals from Lines 1.D and 2.E in the corresponding columns in Figure 10-35. The Liabilities (column 1) should agree with the amount reported on the Balance Sheet. The Unfunded Liabilities (column 3) should agree with Note 11, Line 2.B, “Military Retirement Benefits and Other Federal Employee Benefits”.

D. Other Information Pertaining to Military Retirement and Other Federal Employment Benefits. Report the minimum disclosures related to pensions and other actuarial liabilities.

1. Total Liability. Disclose the separate amounts for the liabilities covered by budgetary resources and not covered by budgetary resources and the total liability.

2. Actuarial Cost Method Used. Provide a description of the actuarial cost method used to compute the projected plan benefit cost.

3. Assumptions. Disclose the actuarial, economic, and health care cost trend and discount rate assumptions used in the calculations of the liability. Refer to SFFAS No. 5 and SFFAS No. 33 for discount rate assumptions. Include the statement that the estimated actuarial liability is updated only at the end of each fiscal year.

4. Expense Components. Disclose the individual components of the expense for the period.

5. Fair Value of Investments. Disclose the fair value of investments in market-based and marketable securities.

6. Changes. Disclose the changes in actuarial liability since the previous calculation and provide a brief summary of the program(s) for which actuarial liabilities are computed.

7. Material. Disclose all items that encompass 10 percent or more of the line value included in “Total Military Retirement and Other Federal Employment Benefits.”

Figure 10-36. Change in Actuarial Liability

As of [Current Fiscal Period End Date]	Current Fiscal Year				
	Military Retirement Pension	Military Pre Medicare- Eligible Retiree Health Benefits	Military Medicare- Eligible Retiree Health Benefits	Voluntary Separation Incentive Programs	DoD Education Benefits Fund
Beginning Actuarial Liability	\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Normal Cost Liability		\$\$\$	\$\$\$	\$\$\$	\$\$\$
Plan Amendment Liability		\$\$\$	\$\$\$	\$\$\$	\$\$\$
Assumption Change Liability		\$\$\$	\$\$\$	\$\$\$	\$\$\$
Benefit Outlays		\$\$\$	\$\$\$	\$\$\$	\$\$\$
Interest Cost		\$\$\$	\$\$\$	\$\$\$	\$\$\$
Actuarial (gains)/losses due to changes in experience		\$\$\$	\$\$\$	\$\$\$	\$\$\$
Actuarial (gains)/losses due to changes in trend assumptions		\$\$\$	\$\$\$	\$\$\$	\$\$\$
Actuarial (gains)/losses due to other factors		\$\$\$	\$\$\$	\$\$\$	\$\$\$
Ending Actuarial Liability		\$\$\$	\$\$\$	\$\$\$	\$\$\$
Change in Actuarial Liability	\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$

*101902. Instructions

Provide a reconciliation of the changes in actuarial liabilities from beginning and ending balances. [*SFFAS No. 33*](#) requires the display of the components of pension expense, as well as the gains and losses from changes in long-term assumptions used to estimate liabilities for Federal employee pensions, other retirement benefits, and other postemployment benefits including a discount rate assumption.

1020 NOTE 18. GENERAL DISCLOSURES RELATED TO THE STATEMENT OF NET COST

Figure 10-37. General Disclosures Related to the Statement of Net Cost

Note 18. General Disclosures Related to the Statement of Net Cost		
Intragovernmental Costs and Exchange Revenue		
<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY	Prior FY
(Amounts in thousands)		
Military Retirement Benefits		
1. Gross Cost		
A. Intragovernmental Cost	\$ \$\$\$	\$ \$\$\$
B. Nonfederal Cost	\$ \$\$\$	\$ \$\$\$
C. Total Cost	\$ \$\$\$	\$ \$\$\$
2. Earned Revenue		
A. Intragovernmental Revenue	\$ \$\$\$	\$ \$\$\$
B. Nonfederal Revenue	\$ \$\$\$	\$ \$\$\$
C. Total Revenue	\$ \$\$\$	\$ \$\$\$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$ \$\$\$	\$ \$\$\$
Total Net Cost	\$ \$\$\$	\$ \$\$\$
Civil Works		
1. Gross Cost		
A. Intragovernmental Cost	\$ \$\$\$	\$ \$\$\$
B. Nonfederal Cost	\$ \$\$\$	\$ \$\$\$
C. Total Cost	\$ \$\$\$	\$ \$\$\$
2. Earned Revenue		
A. Intragovernmental Revenue	\$ \$\$\$	\$ \$\$\$
B. Nonfederal Revenue	\$ \$\$\$	\$ \$\$\$
C. Total Revenue	\$ \$\$\$	\$ \$\$\$

Figure 10-37. General Disclosures Related to the Statement of Net Cost (continued)

Note 18.	General Disclosures Related to the Statement of Net Cost (Cont'd)				
Intragovernmental Costs and Exchange Revenue					
As of [Current and Prior Fiscal Period End Date]		Current FY		Prior FY	
(Amounts in thousands)					
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits		\$	\$\$\$	\$	\$\$\$
Total Net Cost		\$	\$\$\$	\$	\$\$\$
Military Personnel					
1. Gross Cost					
A. Intragovernmental Cost		\$	\$\$\$	\$	\$\$\$
B. Nonfederal Cost		\$	\$\$\$	\$	\$\$\$
C. Total Cost		\$	\$\$\$	\$	\$\$\$
2. Earned Revenue					
A. Intragovernmental Revenue		\$	\$\$\$	\$	\$\$\$
B. Nonfederal Revenue		\$	\$\$\$	\$	\$\$\$
C. Total Revenue		\$	\$\$\$	\$	\$\$\$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits		\$	\$\$\$	\$	\$\$\$
Total Net Cost		\$	\$\$\$	\$	\$\$\$
Operations, Readiness & Support					
1. Gross Cost					
A. Intragovernmental Cost		\$	\$\$\$	\$	\$\$\$
B. Nonfederal Cost		\$	\$\$\$	\$	\$\$\$
C. Total Cost		\$	\$\$\$	\$	\$\$\$
2. Earned Revenue					
A. Intragovernmental Revenue		\$	\$\$\$	\$	\$\$\$
B. Nonfederal Revenue		\$	\$\$\$	\$	\$\$\$
C. Total Cost		\$	\$\$\$	\$	\$\$\$

Figure 10-37. General Disclosures Related to the Statement of Net Cost (continued)

Note 18. General Disclosures Related to the Statement of Net Cost (Cont'd)			
Intragovernmental Costs and Exchange Revenue			
<i>As of [Current and Prior Fiscal Period End Date]</i>		Current FY	Prior FY
(Amounts in thousands)			
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$	\$\$\$	\$ \$\$\$
Total Net Cost	\$	\$\$\$	\$ \$\$\$
Procurement			
1. Gross Cost			
A. Intragovernmental Cost	\$	\$\$\$	\$ \$\$\$
B. Nonfederal Cost	\$	\$\$\$	\$ \$\$\$
C. Total Cost	\$	\$\$\$	\$ \$\$\$
2. Earned Revenue			
A. Intragovernmental Revenue	\$	\$\$\$	\$ \$\$\$
B. Nonfederal Revenue	\$	\$\$\$	\$ \$\$\$
C. Total Revenue	\$	\$\$\$	\$ \$\$\$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$	\$\$\$	\$ \$\$\$
Total Net Cost	\$	\$\$\$	\$ \$\$\$
Research, Development, Test & Evaluation			
1. Gross Cost			
A. Intragovernmental Cost	\$	\$\$\$	\$ \$\$\$
B. Nonfederal Cost	\$	\$\$\$	\$ \$\$\$
C. Total Cost	\$	\$\$\$	\$ \$\$\$

Figure 10-37. General Disclosures Related to the Statement of Net Cost (continued)

Note 18.	General Disclosures Related to the Statement of Net Cost (Cont'd)				
Intragovernmental Costs and Exchange Revenue					
As of [Current and Prior Fiscal Period End Date]		Current FY		Prior FY	
(Amounts in thousands)					
2. Earned Revenue					
A. Intragovernmental Revenue		\$	\$\$\$	\$	\$\$\$
B. Nonfederal Revenue		\$	\$\$\$	\$	\$\$\$
C. Total Revenue		\$	\$\$\$	\$	\$\$\$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits		\$	\$\$\$	\$	\$\$\$
Total Net Cost		\$	\$\$\$	\$	\$\$\$
Family Housing & Military Construction					
1. Gross Cost					
A. Intragovernmental Cost		\$	\$\$\$	\$	\$\$\$
B. Nonfederal Cost		\$	\$\$\$	\$	\$\$\$
C. Total Cost		\$	\$\$\$	\$	\$\$\$
2. Earned Revenue					
A. Intragovernmental Revenue		\$	\$\$\$	\$	\$\$\$
B. Nonfederal Revenue		\$	\$\$\$	\$	\$\$\$
C. Total Revenue		\$	\$\$\$	\$	\$\$\$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits		\$	\$\$\$	\$	\$\$\$
Total Net Cost		\$	\$\$\$	\$	\$\$\$
Consolidated					
1. Gross Cost					
A. Intragovernmental Cost		\$	\$\$\$	\$	\$\$\$
B. Nonfederal Cost		\$	\$\$\$	\$	\$\$\$
C. Total Cost		\$	\$\$\$	\$	\$\$\$

Figure 10-37. General Disclosures Related to the Statement of Net Cost (continued)

Note 18.	General Disclosures Related to the Statement of Net Cost (Cont'd)				
Intragovernmental Costs and Exchange Revenue					
As of [Current and Prior Fiscal Period End Date]		Current FY		Prior FY	
(Amounts in thousands)					
2. Earned Revenue					
A. Intragovernmental Revenue		\$	\$\$\$	\$	\$\$\$
B. Nonfederal Revenue		\$	\$\$\$	\$	\$\$\$
C. Total Revenue		\$	\$\$\$	\$	\$\$\$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits					
		\$	\$\$\$	\$	\$\$\$
4. Costs Not Assigned to Programs					
		\$	\$\$\$	\$	\$\$\$
5. (Less: Earned Revenues) Not Attributed to Programs					
		\$	\$\$\$	\$	\$\$\$
Total Net Cost					
		\$	\$\$\$	\$	\$\$\$

*102001. Instructions

Disclose information related to the Statement of Net Cost (SNC). Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. Intragovernmental Cost (Line 1.A). This line contains costs that arise from exchange transactions made between two reporting entities within the Federal Government. The effects of intraentity (that is, trading with itself) business transactions are eliminated from reporting entity statements in order to prevent overstating costs. Intragovernmental Costs are reported for Military Retirement Benefits; Civil Works; Military Personnel; Operations, Readiness and Support; Procurement; Research, Development, Test and Evaluation; and Family Housing and Military Construction and on the Consolidated Gross Cost lines.

B. Nonfederal Cost (Line 1.B). This line contains costs that arise from exchange transactions made between the reporting entity and a nonfederal entity. Nonfederal Costs are reported for Military Retirement Benefits; Civil Works; Military Personnel; Operations, Readiness and Support; Procurement; Research, Development, Test and Evaluation; and Family Housing and Military Construction and on the Consolidated Gross Cost lines.

C. Total Cost (Line 1.C). This is the sum of Lines 1.A and 1.B which represents gross costs. Line 1.C should agree with the amounts reported on the SNC.

D. Intragovernmental Revenue (Line 2.A). This line contains revenues that arise from exchange transactions made between two reporting entities within the Federal Government. The effects of intraentity (that is, trading with itself) business transactions are eliminated from reporting entity statements in order to prevent overstating revenue. Intragovernmental Earned Revenue is reported for Military Retirement Benefits; Civil Works; Military Personnel; Operations, Readiness and Support; Procurement; Research, Development, Test and Evaluation; and Family Housing and Military Construction and on the Consolidated Gross Cost lines.

E. Nonfederal Revenue (Line 2.B). This line contains revenues that arise from exchange transactions made between the reporting entity and a nonfederal entity. Nonfederal Earned Revenue is reported for Military Retirement Benefits; Civil Works; Military Personnel; Operations, Readiness and Support; Procurement; Research, Development, Test and Evaluation; and Family Housing and Military Construction and on the Consolidated Gross Cost lines.

F. Total Revenue (Line 2.C). This is the sum of Lines 2.A and 2.B which represents total revenues earned. Line 2.C should agree with the amounts reported on the SNC.

G. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits (Line 3). This line contains the losses and gains from actuarial assumption changes for military retirement benefits and reported for Military Retirement Benefits; Civil Works; Military Personnel; Operations, Readiness and Support; Procurement; Research, Development, Test and Evaluation; and Family Housing and Military Construction and on the Consolidated line.

H. Total Net Cost. This line is the cost incurred by the reporting entity (Line 1.C) less any exchange revenues earned (Line 2.C) plus or minus the losses or gains from actuarial assumption changes for military retirement benefits (Line 3). This amount should agree with the amount reported on the SNC, SCNP, and Reconciliation of Net Cost of Operations to Budget.

I. Costs Not Assigned to Programs (Line 4). This line is the costs not assigned to programs and is added to the Consolidated Section to arrive at the Total Net Cost.

J. Less: Earned Revenues Not Attributed to Programs (Line 5). This line is the revenue not attributed to programs and is subtracted for the Consolidated Section to arrive at the Total Net Cost.

K. General Disclosures

1. Disclose that the **SNC** is unique because its principles are driven on understanding the net cost of programs and organizations that the Federal Government supports through appropriations or other means. This statement provides gross and net cost information that can be related to the amount of output or outcome for a given program and organization administered by a responsible reporting entity.

2. Disclose that intragovernmental costs and revenue are related to transactions made between two reporting entities within the Federal Government.

3. Disclose that public costs and revenues are exchange transactions made between the reporting entity and a nonfederal entity. For public earned revenue, the buyer of the goods or services is a nonfederal entity. For intragovernmental costs, the seller is a **Federal** entity. If a **Federal** entity purchases goods or services from another **Federal** entity and sells them to the public, the exchange revenue would be classified as public, but the related costs would be classified as intragovernmental. The purpose of this classification is to enable the Federal Government to provide consolidated financial statements, and not to match public and intragovernmental revenue with costs that are incurred to produce public and intragovernmental revenue.

4. Reporting Entities who are unable to track customer information at the transaction level must make additional disclosures. Disclose that many of the reporting entity's systems do not track intragovernmental transactions by customer at the transaction level. Therefore, internal DoD buyer-side balances are adjusted to agree with internal seller-side balances for revenue. Expenses were adjusted by [cite methodology]: (1) reclassifying amounts between **Federal** and nonfederal expenses or (2) accruing additional accounts payable and expenses.

5. If the reporting entity was able to compare its intragovernmental costs and revenues with corresponding balances of its intragovernmental trading partners (other Federal entities), **then it must** disclose any material differences identified. Additionally, provide an explanation for the material differences identified and whether or not the differences were resolved.

102002. Other Disclosures

A. Cost Disclosure Specific to General Funds. Disclose if applicable, that the reporting entity does not meet specific accounting standards and that information presented is based on budgetary obligations, disbursements, and collection transactions, as well as nonfinancial feeder systems adjusted to record known accruals for major items such as payroll expenses, accounts payable, and environmental liabilities.

B. Cost Disclosure Specific to Working Capital Fund (WCF). Disclose if applicable, that the reporting entity does not meet specific accounting standards. Each reporting entity should review its financial processes, systems and data and disclose, if applicable, that

while the WCF generally record transactions on an accrual basis, the systems do not always capture actual costs in a timely manner. Information presented on this statement is primarily based on budgetary obligation, disbursements, or collection transactions, as well as information from nonfinancial feeder systems.

102003. Stewardship PP&E

Stewardship PP&E assets include heritage assets and stewardship land. Disclose, if applicable, the following:

A. If the cost of heritage assets and stewardship land transferred from other Federal entities is not known, then the receiving entity must disclose their fair value. Heritage assets and stewardship land acquired through donation or devise will not be recognized as a cost in calculating net cost, but the fair value of the property must be disclosed. If the fair value is not known or reasonably estimable, information related to the type and quantity of assets received must be disclosed.

B. Disclose any amounts expensed during the current period in the SNC for the costs of acquiring, constructing, improving, reconstructing, or renovating heritage assets (other than multi-use heritage assets), and the cost of acquiring stewardship land and any costs to prepare stewardship asset for its intended use. If the accounting system does not provide the necessary information to make the required disclosure for all or part of these expenses, the reporting entity must make the following disclosure to recognize the weakness and to disclose the portion of the expense that are known. (If no portion of the expenses is known, include only the first sentence of the disclosure.)

C. Disclose that the reporting entity's accounting system does not capture information relative to Heritage Assets separately and distinctly from normal operations. Where it was able to separately identify the cost of acquiring, constructing, improving, reconstructing or renovating heritage assets, the reporting entity has identified the dollar amount for the fiscal year.

1021 NOTE 19. DISCLOSURES RELATED TO THE STATEMENT OF CHANGES IN NET POSITION

102101. Instructions

Disclose information related to the SCNP. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

102102. Other Disclosures

A. Appropriations Received. Disclose, if applicable, that Appropriations Received on SBR does not agree with Appropriations Received on SCNP. Refer to Note 20, "Disclosures Related to the Statement of Budgetary Resources" for additional details.

B. Material Contributions of Commodities. Disclose material contributions of commodities from other nations in support of the **Overseas Contingency Operations** as donated revenue (if applicable as a Transferring Entity). A separate disclosure for immaterial amounts is not needed; however they should be recorded as donated revenue and included in the SCNP.

C. Other Information. Discuss other information to help the user understand the **SCNP**. Describe any item that is greater than, or equal to, 10 percent of the statement lines titled “Other”.

1022 NOTE 20. DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

Figure 10-38. Disclosures Related to the Statement of Budgetary Resources

Note 20. Disclosures Related to the Statement of Budgetary Resources			
As of [Current and Prior Fiscal Period End Date]		Current FY	Prior FY
(Amount in thousands)			
1. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of the Period	\$	\$\$\$	\$ \$\$\$\$
2. Available Borrowing and Contract Authority at the End of the Period		\$\$\$	\$\$\$

102201. Instructions

Disclose information related to the [SBR](#). Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of Period (Line 1). Disclose the net amount of budgetary resources obligated for undelivered orders as of the end of the reporting period.

B. Available Borrowing and Contract Authority at the End of Period (Line 2). Disclose the amount of borrowing and contract authority available at the end of the reporting period.

C. Excluded Amounts. This note should not include any amounts from cancelled accounts for which the U.S. Treasury is willing to accept corrections in accordance with the [SFFAS No. 1](#).

D. Other Information. Disclose other information necessary to understand the SBR.

1. Disclose the amount of direct and reimbursable obligations incurred and which apportionment category they are under ([either](#) Category A, B [or](#) E). [Category E is exempt from apportionment.](#) The summation of the categories should be equivalent to Line [2190](#) on the SBR.

2. Disclose that intraentity transactions have not been eliminated because the statements are presented as combined.

3. Disclose repayment requirements, financing sources for repayment, and other terms of borrowing authority used.
4. Disclose material adjustments made to budgetary resources available at the beginning of the year and provide an explanation.
5. Disclose the existence, purpose, and availability of permanent indefinite appropriations.
6. Disclose information about legal arrangements affecting the use of unobligated balances of budget authority, such as time limits, purpose, and obligation limitations. For example, the [Reporting Entity] unobligated balances of budget authority represent the portion of trust fund receipts collected in the current FY that: (1) exceed the amount needed to pay benefits or other valid obligations, and (2) exceed the receipts temporarily precluded from obligation by law. The receipts are assets of the trust fund and available for obligation as needed in the future.
7. Explain any contributed capital received during the reporting period including the amount, the source, and the reason for these additional funds. (Only applies to those who received funds in excess of their original appropriation).
8. Identify and explain material differences between amounts reported on SBR and the Report on Budget Execution (SF133).
9. Disclose that Appropriations Received on SBR does not agree with Appropriations Received on **SCNP**. Cite the total difference and summarize significant components of the difference in the note, “**Disclosures Related to the Statement of Changes in Net Position.**”
10. Disclose any other relevant information relating to the reporting entity that promotes a better understanding of the entity’s SBR.

1023 NOTE 21. DISCLOSURES RELATED TO THE RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

Figure 10-39. Disclosures Related to the Reconciliation of Net Cost of Operations to Budget

Note 21.		Reconciliation of Net Cost of Operations to Budget			
As of [Current and Prior Fiscal Period End Date]		Current FY		Prior FY	
Resources Used to Finance Activities:					
Budgetary Resources Obligated:					
1. Obligations incurred	\$	\$\$\$	\$	\$\$\$	\$\$\$
2. Less: Spending authority from offsetting collections and recoveries (-)		\$\$\$		\$\$\$	\$\$\$
3. Obligations net of offsetting collections and recoveries	\$	\$\$\$	\$	\$\$\$	\$\$\$
4. Less: Offsetting receipts (-)		\$\$\$		\$\$\$	\$\$\$
5. Net obligations	\$	\$\$\$	\$	\$\$\$	\$\$\$
Other Resources:					
6. Donations and forfeitures of property		\$\$\$		\$\$\$	\$\$\$
7. Transfers in/out without reimbursement (+/-)		\$\$\$		\$\$\$	\$\$\$
8. Imputed financing from costs absorbed by others		\$\$\$		\$\$\$	\$\$\$
9. Other (+/-)		\$\$\$		\$\$\$	\$\$\$
10. Net other resources used to finance activities	\$	\$\$\$	\$	\$\$\$	\$\$\$
11. Total resources used to finance activities	\$	\$\$\$	\$	\$\$\$	\$\$\$
Resources Used to Finance Items not Part of the Net Cost of Operations:					
12. Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided:					
a. Undelivered Orders (-)	\$	\$\$\$	\$	\$\$\$	\$\$\$
b. Unfilled Customer Orders		\$\$\$		\$\$\$	\$\$\$
13. Resources that fund expenses recognized in prior Periods (-)		\$\$\$		\$\$\$	\$\$\$
14. Budgetary offsetting collections and receipts that do not affect Net Cost of Operations		\$\$\$		\$\$\$	\$\$\$
15. Resources that finance the acquisition of assets (-)		\$\$\$		\$\$\$	\$\$\$
16. Other resources or adjustments to net obligated resources that do not affect Net Cost of Operations:					
a. Less: Trust or Special Fund Receipts Related to exchange in the Entity’s Budget (-)		\$\$\$		\$\$\$	\$\$\$
b. Other (+/-)		\$\$\$		\$\$\$	\$\$\$
17. Total resources used to finance items not part of the Net Cost of Operations	\$	\$\$\$	\$	\$\$\$	\$\$\$
18. Total resources used to finance the Net Cost of Operations	\$	\$\$\$	\$	\$\$\$	\$\$\$

Figure 10-39. Disclosures Related to the Reconciliation of Net Cost of Operations to Budget (continued)

As of [Current and Prior Fiscal Period End Date]	Current FY		Prior FY	
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:				
Components Requiring or Generating Resources in Future Periods:				
19. Increase in annual leave liability	\$	\$\$\$	\$	\$\$\$
20. Increase in environmental and disposal liability		\$\$\$		\$\$\$
21. Upward/Downward reestimates of credit subsidy expense (+/-)		\$\$\$		\$\$\$
22. Increase in exchange revenue receivable from the public (-)		\$\$\$		\$\$\$
23. Other (+/-)		\$\$\$		\$\$\$
24. Total components of Net Cost of Operations that will Require or Generate Resources in future periods	\$	\$\$\$	\$	\$\$\$
Components not Requiring or Generating Resources:				
25. Depreciation and amortization	\$	\$\$\$	\$	\$\$\$
26. Revaluation of assets or liabilities (+/-)		\$\$\$		\$\$\$
27. Other (+/-)				
a. Trust Fund Exchange Revenue		\$\$\$		\$\$\$
b. Cost of Goods Sold		\$\$\$		\$\$\$
c. Operating Material and Supplies Used		\$\$\$		\$\$\$
d. Other		\$\$\$		\$\$\$
28. Total Components of Net Cost of Operations that will not Require or Generate Resources	\$	\$\$\$	\$	\$\$\$
29. Total components of Net Cost of Operations that will not Require or Generate Resources in the current period	\$	\$\$\$	\$	\$\$\$
30. Net Cost of Operations	\$	\$\$\$	\$	\$\$\$

102301. Reconciliation Objective

SFFAS No. 7, “Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting” requires a reconciliation explaining the relationship between budgetary obligations incurred by the entity and the net cost of operations of the entity. The Reconciliation of Net Cost of Operations to Budget is the mechanism to accomplish this reconciliation. The objective of the Reconciliation of Net Cost of Operations to Budget is to help the users understand how information on the use of budgetary resources relates to information on the cost of program operations. This is accomplished by means of a reconciliation of budgetary obligations and nonbudgetary resources available to the reporting entity with its net cost of operations. It explains how those resources were used to finance orders for goods and services not yet delivered, to acquire assets and liabilities, and to fund the entity’s

net cost of operations. Also, the computation and presentation of items in the schedule demonstrate that the budgetary (obligation based amount) and proprietary (accrual based amounts) cost information in an entity's financial management systems agree. This reconciliation was formerly called the Statement of Financing. In FY 2007, OMB and the Chief Financial Officers Council decided that this reconciliation would be better placed and understood as a note titled, "Reconciliation of Net Cost of Operations to Budget" rather than as a basic statement.

102302. Budgetary to Proprietary Accounting Reconciling Differences

Because different accounting bases are used for budgetary and proprietary accounting, some transactions may appear in only one set of accounts due to legislative requirements or USGAAP (e.g., accrual of unfunded environmental and disposal liabilities which are recorded only in the proprietary records). Furthermore, not all obligations or offsetting collections may result in expenses or exchange revenue (e.g., purchase of a building is capitalized on the Balance Sheet in the proprietary accounts, but obligated and outlayed in the budgetary accounts). Differences due solely to budgetary and proprietary accounting are summarized in this reconciliation. Other differences encountered must be researched and corrected. DDS has automated proprietary to budgetary reconciliations (Section V Reconciliations) that highlight certain discrepancies between budgetary and proprietary data. The reconciliation manual can be found at [DoD AFSR&A](#).

102303. Reconciliation Crosswalk

It is imperative to comply with the "Additional Information Required" column in the crosswalk. This column limits or provides further detail on items that can be reported in these lines. [A crosswalk for this note is available in the query section of DDS.](#)

102304. Instructions

Preparers of financial statements should perform a detailed reconciliation of net obligations and other resources to net cost of operations, identifying all applicable reconciling items. Preparers should also refer to the [FASAB's Implementation Guide to SFFAS No. 7](#) for detailed guidance on preparing the schedule. The schedule is structured to first identify total resources (budgetary and other) used by an entity during the period and then makes adjustments (Lines 12 through 29) to the resources based upon how they were used to finance net obligations or net cost of operations. Budgetary resources reported in this schedule are those resources [reported on the SBR and](#) defined in OMB Circular No. [A-11](#). Other resources reported in this schedule are also reflected in the [SCNP](#). [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. [Resources Used to Finance Activities \(Lines 1 through 11\)](#). This section reflects the budgetary resources obligated and other resources used to finance the activities of the agency. The obligations of budgetary resources are net of offsetting collections, recoveries and offsetting receipts. The other resources are financing sources that increase net position but are not budgetary resources.

1. Budgetary Resources Obligated

a. Obligations Incurred (Line 1). This amount should equal the obligations incurred as reported for the current year on line 2190 of the SBR. This line includes amounts for such items as new orders placed, contracts awarded, services received, undelivered orders, and expended authority (paid or unpaid).

b. Less: Spending Authority from Offsetting Collections and Recoveries (Line 2). This line consists of three primary components: offsetting collections, recoveries of budget authority, and changes in unfilled customer orders. Offsetting collections are collections from the public that result from business type or market oriented activities and collections from other government accounts (e.g., collections from other Federal agencies for various activities, in which the Department engages; trust funds, and credit program collections). The recoveries of the prior year authority component consist of budget authority that was recovered during the current year due to a reduction in a prior year obligation. Unfilled customer orders are considered to be a budgetary resource at the time the order is accepted. Collections on those orders are also considered a resource. In order to avoid double counting when relating net obligations to net outlays, the change in unfilled customer orders from the beginning of the period to the end of the period must be deducted from obligations incurred.

c. Obligations Net of Offsetting Collections and Recoveries (Line 3). This line item is the sum of lines 1 and 2.

d. Less: Offsetting Receipts (Line 4). Refer to Chapter 7, paragraph 070202 for detail information pertaining to offsetting receipts. This line item will agree with the offsetting receipts as reported on the SBR, line 4200.

e. Net Obligations (Line 5). This line item is the difference between the two preceding lines. Net obligations reflect obligations incurred net of offsetting collections, recoveries, and offsetting receipts.

2. Other Resources (Lines 6 through 10). The line items in this section represent nonexchange revenue and other financing sources that increase net position, but are not budgetary resources as reported on the SBR or defined as such in OMB Circular No. A-11. The items in this section will agree with the corresponding line items as reported on the SCNP.

a. Donations and Forfeitures of Property (Line 6). This line item represents resources generated from donations or forfeitures of property, excluding cash. This line agrees with the SCNP, line 5.A.

b. Transfers In/Out Without Reimbursement (Line 7). This line includes intragovernmental transfers in or out of investment, inventory, capitalized assets, Defense Working Capital Fund cash transfers, and the quarterly rollup of disbursements and collections to the component level. Capitalized assets transferred should be recorded at the book value of the transferring entity. If the book value is not known, the amount recorded should be

the asset's estimated fair value at the date of the transfer. This line does not include appropriations transferred in or out shown on the [SCNP](#) line 13.B or appropriated dedicated collections and expenditure financing sources transferred on line 4.E. This line agrees with the [SCNP](#), line 5.B.

c. Imputed Financing from Costs Absorbed By Others (Line 8). This line represents the costs that are paid on behalf of the Department by another Federal entity (e.g., the payment of certain employee benefit costs by Office of Personnel Management (OPM) for the Department). This line agrees with the [SCNP](#) line, 5.C.

d. Other (Line 9). This line represents other nonexchange resources not previously disclosed that do not have a budgetary impact. This line agrees with the [SCNP](#), line 5.D.

e. Net Other Resources Used to Finance Activities (Line 10). This line is the sum of lines 6 through 9.

3. Total Resources Used to Finance Activities (Line 11). This line is the sum of lines 5 and 10.

B. Resources Used to Finance Items Not Part of the Net Cost of Operations (Lines 12 – 17). This section adjusts total resources used to finance the activities of the entity to account for items that were included in net obligations and other resources but were not part of the net cost of operations. This section would include items in which the expense was recognized in a prior period, but the budgetary resource and obligation are recognized in the current period (e.g., unfunded environmental liabilities expense accrued in the prior period but funded, obligated, and delivered in the current period). It would also include budgetary resources and obligations recognized in the current period that do not affect the net cost of operations (e.g., the acquisition of assets reflected in net obligations and on the Balance Sheet but not in net cost of operations for the period).

1. Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered But Not Yet Provided (Line 12). This amount reflects undelivered orders or adjustments, included in net obligations, but not part of the net cost of operations.

a. Undelivered Orders (Line 12a). Net increases in undelivered orders and upward adjustments of prior year undelivered orders should be subtracted from the net obligations because they have no impact on the entity's net cost of operations. Net decreases in undelivered orders and downward adjustments of prior year undelivered orders should be added. Increases in undelivered orders are shown as negative amounts; decreases are shown as positive amounts.

b. Unfilled Customer Orders (Line 12b). This line reverses the effect of unfilled customer orders included in net obligations, but not part of net cost of operations. Therefore, net increases in unfilled customer orders should be added to net

obligations; net decreases in unfilled customer orders should be subtracted. Unfilled customer orders were included in line 2.

2. Resources That Fund Expenses Recognized in Prior Periods (Line 13). This line item reflects the net decrease in future funded liabilities. Net increases in future funded liabilities would be reported on lines 19 through 24. This line includes obligations of budgetary resources in the current period for expenses previously classified as future funded and included in the net cost of operations in a prior period. These expenses were reported on this statement in a prior period as “Components Requiring or Generating Resources in Future Periods” (lines 19 through 24). Examples include decreases in annual leave and environmental cleanup liabilities. This line item represents credit balances of unfunded expense accounts or net decreases in the unfunded liabilities. This line also includes vendor overpayments collected.

3. Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations (Line 14). This line item reflects offsetting collections and receipts (lines 2 and 4) not reported as exchange revenue on the [SNC](#). It consists of the credit reform financing fund collections that increase liabilities for loan guarantees or allowance for subsidy and offsetting collections or receipts that are included in “Total Resources Used to Finance Activities,” but are not exchange revenue. Since all offsetting collections and receipts are included in the determination of “Resources Used to Finance Activities” and only exchange revenue is reported on the [SNC](#), this line adjusts net obligations for the portion of offsetting collections and receipts that [are](#) not reported on the [SNC](#). Examples of nonexchange revenues include amounts for accrued interest from U.S. Treasury securities held by special and trust funds, and the nonbudgetary portion of other revenue associated with nonexchange revenue. Amounts on line 14 should agree with those reported on the [SCNP](#) as part of financing sources other than exchange revenue.

a. Certain collections in the financing account represent budgetary resources but do not affect net cost. These collections adjust amounts on the Balance Sheet. For example, the accounting for subsidy expense illustrates this reconciling item. In determining net obligations, in the “Resources Used to Finance Activities” section, subsidy expense is reflected as both a component of obligations incurred and offsetting collections. The program account obligates the subsidy expense and the financing account collects and retains the subsidy until disbursement of a loan or default claim. The subsidy expense is reflected as both an obligation on the [SBR](#) and an expense on the [SNC](#). The collection, however, is reflected as an offsetting collection on the [SBR](#), but reflected as a contra asset or liability on the Balance Sheet.

b. Other transactions generating differences between net obligations and net cost of operations that are reflected on this line include the collection of exchange revenue receivable from the public and advances received for work not yet performed.

4. Resources That Finance the Acquisition of Assets (Line 15). This line item reflects budgetary resources obligated that are not expenses as reported on the [SNC](#). Examples include purchases of General PP&E, nonfederal securities, and investments. Report the current year purchase only. If an entity cannot derive current year purchases from the change

in the asset accounts, the entity may accumulate the amounts needed for capitalized purchases in memorandum accounts. Other items reported on this line include credit reform financing funds, delivered orders or adjustments thereto, and losses incurred when an asset is sold or disposed of and a budgetary resource is recognized. Two options exist for reporting such losses on the Statement of Financing. The first option is to include the book value on line 15 and exclude the loss in “Components Not Requiring or Generating Resources” (lines 25 through 28). The second option is to include the loss in “Components Not Requiring or Generating Resources” (lines 25 through 28) and include the book value less the loss on line 15. Increases in this line are subtracted from net obligations and reflected on the Reconciliation of Net Cost of Operations to Budget as a credit balance. Net decreases are reflected as a debit on the note.

5. Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations (Line 16). This line includes Trust or Special fund receipts related to exchange revenue in the entity's budget.

a. Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations, Other (Line 16a). An activity reported on line 16a is an element of net cost. This activity would normally be classified as offsetting collections, but is not reported as such based on instructions in OMB A-11. This line adjusts obligations, in the same manner as offsetting collections reported on line 2.

b. Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations, Other (Line 16b). This line item includes activities not otherwise classified. This activity may include non-cash recoveries of prior year obligations. Recoveries are budgetary resources that offset obligations on the SBR, but are not a proprietary financing source used to offset costs on the SNC. Other examples include prior period adjustments, transfers of current year authority and transfers of property. These examples are reported as other resources in the first section of this statement, but are not reported on the SNC or Budgetary Resources. Disclose in note 21 any element of this line that represents more than 10 percent of the value of this line.

6. Total Resources Used to Finance Items Not Part of the Net Cost of Operations (Line 17). This line is the sum of lines 12 through 16.

C. Total Resources Used to Finance the Net Cost of Operations (Line 18). This line is the sum of line 11 and 17.

D. Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period (Lines 19 through 29). This section adjusts total resources used to finance the activities of the entity to account for items that were part of the net cost of operations, but were not included in net obligations. This section includes items in which the expense was recognized in the current period, but the budgetary resource and obligation will be recognized in a future period (e.g., unfunded environmental liabilities expense accrued in the current period that will be funded, obligated, and liquidated in a future period). It would also include current period expenses that affect the net cost of operations, but will not require budgetary resources and obligations in a future period (e.g., depreciation expense).

1. Components Requiring or Generating Resources in Future Periods.

The costs of the Federal Government are not always funded in the period the costs are incurred. This section identifies items that are recognized as a component of the net cost of operations for the period, but the budgetary resources (and related obligations) will not be provided (or incurred) until a subsequent period.

a. Increase in Annual Leave Liability (Line 19). This line item includes the expense related to the increase in annual leave liability for which the budgetary resources will be provided in a subsequent period. This line reports the debit balance of the future funded expense account applicable to annual leave. Decreases in annual leave are reported on line 13.

b. Increase in Environmental and Disposal Liability (Line 20). This line item includes the expense related to the increase in environmental and disposal liability for which the budgetary resources will be provided in a subsequent period. This line reports the debit balance of the future funded expense account applicable to environmental and disposal liability. Decreases in environmental and disposal liability are reported on line 13.

c. Upward/Downward Reestimates of Credit Subsidy Expense (+/-) (Line 21). This line item includes the expense recognized as a result of an upward/downward reestimate of credit program subsidy cost, for which the budgetary resources (or obligation) will be provided (or incurred) in a subsequent period. Even though budgetary resources are not provided in the current period, credit subsidy reestimates should be reflected as liabilities covered by budgetary resources since the budget authority to fund the reestimates is permanent and indefinite and no further congressional action is needed to provide the resources.

d. Increase in Exchange Revenue Receivable from the Public (-) (Line 22). This line item represents exchange revenue not in the entity's budget. It reflects nonfederal accounts or interest receivable generated from exchange revenue. It accounts for the difference in the way budgetary and proprietary accounting recognizes public exchange revenue. According to OMB [A-II](#), budgetary resources are normally not recognized from the public until collected, but these revenues with the public are recognized and reported on the [SNC](#) when earned (proprietary accounting). Future collection of public receivables would be considered a budgetary resource, but not financial revenue because it had already been recorded as financial revenue upon the establishment of the account receivable. Examples of public interest revenue include interest earned on donations and investments in trust funds. Changes in public receivables should be subtracted as a reconciling item in order to arrive at the net cost of operations on the Reconciliation of Net Cost of Operations to Budget. Line 22 excludes accounts receivable related to vendor overpayments and interest receivable related to credit reform financing.

e. Other (Line 23). This line item represents net increases in future funded liabilities other than annual leave and environmental and disposal liabilities. It includes net increases in actuarial pension, health and life liabilities, contingent liabilities, other unfunded employment related liabilities, and FECA liability billed to the agency by DOL for FECA payments that were made on the agency's behalf. It also includes the actuarial present

value of future FECA benefits provided to Federal employees or their beneficiaries as a result of work related deaths, disabilities, or occupational diseases. DOL computes and provides the actuarial value. Net decreases in these future funded liabilities are reported on line 13. Disclose in Note 21 any element of this line that represents more than 10 percent of the value of this line.

f. Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods (Line 24). This line is the sum of lines 19 through 23.

2. Components Not Requiring or Generating Resources. This section includes items that are recognized as part of the net cost of operations for the period, but will not generate or require the use of resources.

a. Depreciation and Amortization (Line 25). This line item includes the depreciation and amortization of assets reflected as a component of the net cost of operations for the period. For capitalized assets, budgetary resources are obligated when the asset is acquired, not when it is depreciated.

b. Revaluation of Assets or Liabilities (Line 26). This line item includes exchange transaction gains and losses recognized during the revaluation of assets or liabilities.

c. Other (Line 27). This line item represents items not requiring or generating resources other than depreciation, amortization, and revaluation of assets or liabilities.

(1) Trust Fund Exchange Revenue (Line 27a). This line item represents undistributed offsetting receipts related to trust funds with exchange revenue. It consists primarily of benefit program revenue and interest revenue generated from the investments.

(2) Cost of Goods Sold (Line 27b). Cost of goods sold is a current period expense that affects the net cost of operations, but will not require additional budgetary resources or obligations. The budgetary resources or obligations were recognized when the item was purchased.

(3) Operating Material & Supplies Used (Line 27c). This line item represents the consumption of operating material and supplies. It is reported in USSGL 6790, Other Expenses Not Requiring Budgetary Resources. It is a current period expense that affects the net cost of operations, but will not require additional budgetary resources or obligations. The budgetary resources or obligations were recognized when the item was purchased.

(4) Other (Line 27d). This line item includes activities not otherwise classified. It includes amounts for bad debts related to uncollectible noncredit reform receivables, net credit balance for vendor overpayment receivables, and extraordinary

items. Disclose in Note 21 any element of this line that represents more than 10 percent of the value of this line.

d. Total Components of Net Cost of Operations That Will Not Require or Generate Resources (Line 28). This line is the sum of lines 25 through 27.

3. Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period (Line 29). This line is the sum of lines 24 and 28.

E. Net Cost of Operations (Line 30). This amount is the sum of line 18, “Total Resources Used to Finance the Net Cost of Operations” and line 29, “Total components of Net Cost of Operations that will not Require or Generate Resources in the current period.” This line item will agree with the net cost of operations as reported on the SNC.

102305. Narrative Disclosures

Report any information relating to the reporting entity that provides a further understanding of the entity’s note. At a minimum, discuss the following:

A. Abnormal Balance. Disclose and explain abnormal balances in accordance with paragraph 100208.

B. Adjustment to Align Budgetary Data to Proprietary Data. For reporting entities whose budgetary data does not agree with proprietary data, disclose that because of the reporting entity’s financial system limitations, budgetary data will not be in agreement with proprietary expenses and assets capitalized. The differences between budgetary and proprietary data are a previously identified deficiency. Also, disclose the amount (absolute value) of the adjustment to the note to bring it into balance with the SNC. Report the adjustment in one of three categories: Resources That Finance the Acquisition of Assets; Other Components Not Requiring or Generating Resource; or Revaluation of Assets or Liabilities (if applicable).

C. Budgetary Information. Disclose that the following note schedule lines are presented as combined instead of consolidated due to interagency budgetary transactions not being eliminated:

1. Obligations Incurred (Line 1)
2. Less: Spending Authority from Offsetting Collections and Recoveries (Line 2)
3. Obligations Net of Offsetting Collections and Recoveries (Line 3)
4. Less: Offsetting Receipts (Line 4)
5. Net Obligations (Line 5)

6. Undelivered Orders (Line 6)
7. Unfilled Customer Orders (Line 7)

D. Other Lines (Line 9, Line 23, Line 27d). Describe any item that is greater than, or equal to, 10 percent of the note lines titled "Other."

1024 NOTE 22. DISCLOSURES RELATED TO INCIDENTAL CUSTODIAL COLLECTIONS

102401. Instructions

Reporting entities collecting immaterial custodial revenues that are incidental to their primary mission may disclose the sources and amount of collections and the amounts distributed to others in the accompanying notes. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Disclose that the reporting entity collected [\$XXX] of incidental custodial revenues generated primarily from [identify the source of collections]. Also, disclose that the reporting entity distributed [\$XXX] to [name of organization or agency] or that the reporting entity has not yet distributed the incidental custodial revenues collected.

B. Disclose other information relating to the further understanding of Incidental Custodial Collections.

1025 NOTE 23. FUNDS FROM DEDICATED COLLECTIONS

Figure 10-40. Funds from Dedicated Collections

Note 23. Funds from Dedicated Collections					
As of [Current Fiscal Period End Date]	Current Year				
	Harbor Maintenance Trust Fund	Rivers and Harbors Contributed and Advance Fund	Other Funds	Eliminations	Consolidated Total
(Amounts in thousands)					
BALANCE SHEET					
ASSETS					
Fund Balance with Treasury	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Investments	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Accounts and Interest Receivable	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Other Assets	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Total Assets	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
LIABILITIES and NET POSITION					
Accounts Payable and Other Liabilities	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Total Liabilities	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Cumulative Results of Operations	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Total Liabilities and Net Position	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
STATEMENT OF NET COST					
Program Costs	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Less Earned Revenue	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Net Program Costs	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Less Earned Revenues Not Attributable to Programs	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Net Cost of Operations	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
STATEMENT OF CHANGES IN NET POSITION					
Net Position Beginning of the Period	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Net Cost of Operations	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Budgetary Financing Sources	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Other Financing Sources	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Change in Net Position	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Net Position End of Period	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

Figure 10-40. Funds from Dedicated Collections (continued)

Note 23. Funds from Dedicated Collections					
As of [Current Fiscal Period End Date]	Prior Year				
	Harbor Maintenance Trust Fund	Rivers and Harbors Contributed and Advance Fund	Other Funds	Eliminations	Consolidated Total
(Amounts in thousands)					
BALANCE SHEET					
ASSETS					
Fund balance with Treasury	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Investments	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Accounts and Interest					
Receivable	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Other Assets	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Total Assets	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
LIABILITIES and NET POSITION					
Accounts Payable and Other Liabilities	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Total Liabilities	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Unexpended Appropriations	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Cumulative Results of Operations	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Total Liabilities and Net Position	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
STATEMENT OF NET COST					
Program Costs	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Less Earned Revenue	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Net Program Costs	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Less Earned Revenues Not Attributable to Programs	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Net Cost of Operations	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
STATEMENT OF CHANGES IN NET POSITION					
Net Position Beginning of the Period	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Net Cost of Operations	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Budgetary Financing Sources	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Other Financing Sources	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Change in Net Position	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Net Position End of Period	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

*102501. Instructions

Funds from Dedicated Collections are financed by specifically identified revenues and are required by statute to be used for designated activities or purposes, and must be accounted for separately from the Federal Government's general revenues. SFFAS No. 27, "Identifying and Reporting Earmarked Funds," required disclosure of all funds from dedicated collections for which the reporting entity had program management responsibility. SFFAS No. 43, "Dedicated Collections: Amending SFFAS No. 27, Identifying and Reporting Earmarked Funds" changed the term "earmarked funds" to "funds from dedicated collections" and modified the definition. The modified definition clarifies that at least one source of funds must be external to the federal government for a fund to qualify as a fund from dedicated collections. It explicitly excludes any fund established to account for pensions, other retirement benefits, other postemployment or other benefits provided for federal employees (civilian and military). Optional formats are available for displaying information on the face of the Balance Sheet and Statement of Changes in Net Position. The number of DoD "Earmarked Funds" will be reduced due to the revised description of these funds, to be known as "Dedicated Collections" beginning in FY2013. The identified revenues excluded from being classified as "dedicated collections" are required to be provided primarily by non-federal sources. Funds established to account for pensions, other retirement benefits, other postemployment benefits, and other employee benefits are also excluded. The note schedule must show current year and prior year data. Disclose and explain abnormal balances in accordance with paragraph 100208 of. Report eliminations between funds from dedicated collections and other funds within the reporting entity. If a Component entity reports a different portion of a fund from dedicated collections than it reported in prior years, it should not restate its prior year financial statements, but disclose the change in the note. This applies if a DoD Component entity does not report a fund from dedicated collection, or a portion thereof, that it reported in the previous year. Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.

*1026 NOTE 24. FIDUCIARY ACTIVITIES

Figure 10-41. Schedule of Fiduciary Activity

Note 24. Fiduciary Activities		
Schedule of Fiduciary Activity		
As of <i>[Current Fiscal Period End Date]</i>	Current FY	Prior FY
(Amounts in millions)		
1. Fiduciary net assets, beginning of year	\$ \$\$\$	\$\$\$
2. Fiduciary revenues	\$\$\$	\$\$\$
3. Contributions	\$\$\$	\$\$\$
4. Investment earnings	\$\$\$	\$\$\$
5. Gain (Loss) on disposition of investments, net	\$\$\$	\$\$\$
6. Administrative and other expenses	\$\$\$	\$\$\$
7. Disbursements to and on behalf of beneficiaries	(\$\$\$)	(\$\$\$)
8. Increase/(Decrease) in fiduciary net assets	\$\$\$	\$\$\$
9. Fiduciary net assets, end of period	\$ \$\$\$	\$\$\$

Figure 10-42. Schedule of Fiduciary Net Assets

Schedule of Fiduciary Net Assets		
As of <i>[Current Fiscal Period End Date]</i>	Current Year	Prior Year
(Amounts in millions)		
FIDUCIARY ASSETS		
1. Cash and cash equivalents	\$ \$\$\$	\$\$\$
2. Investments	\$\$\$	\$\$\$
3. Other Assets	\$\$\$	\$\$\$
FIDUCIARY LIABILITIES		
4. Less: LIABILITIES	\$\$\$	\$\$\$
5. TOTAL FIDUCIARY NET ASSETS	\$ \$\$\$	\$\$\$

102601. Instructions

Disclose the fiduciary assets, liabilities and flows of the reporting entity in accordance with SFFAS No. 31. Also, disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.

102602. Fiduciary Activities

Fiduciary activities collect the receipt for cash or other assets in which nonfederal individuals or entities (or “nonfederal parties”) have an ownership interest that the Federal Government must uphold. The fiduciary relationship must be based on statutory or other legal authority and the fiduciary activity must be in furtherance of that relationship. Fiduciary activities are not recognized on the proprietary financial statements, but they are required to be reported on schedules in the notes to the financial statements. Fiduciary activities may involve a variety of fiduciary assets, liabilities, and transactions. Examples include but not limited to:

A. Cash. Fiduciary cash may be held in a variety of ways. Cash may be represented by balances on deposit with the U.S. Treasury or commercial banks.

B. Investments. Fiduciary assets may include investments in Treasury securities or non Treasury securities.

C. Other Assets. Fiduciary assets may include assets other than cash, e.g., real or personal property held temporarily pending disposition, or held long-term in a fiduciary capacity.

D. Liabilities. A fiduciary activity may include expenses that will be paid with fiduciary assets. This may result in fiduciary liabilities that will be settled with fiduciary assets.

E. Inflows. A fiduciary activity may include collections of cash or other assets that represent contributions from or for beneficiaries or revenue derived from fiduciary assets.

F. Outflows. A fiduciary activity may include expenses that will be paid with fiduciary assets and distributions of assets to the beneficiaries.

102603. Exclusions

The following are exclusions from the reporting requirements for fiduciary activities, and recognized in the principal financial statements of the Federal Component entity and not in the fiduciary note disclosure:

A. Unpaid Payroll Withholdings and Garnishments. Amounts related to unpaid payroll withholdings and garnishments are excluded from the reporting requirements of this standard. Liabilities for unpaid payroll withholdings and garnishments should be recognized as accounts payable according to **SFFAS No. 1**.

B. Unearned revenue. Unearned revenue should not be reported as fiduciary activity and should be recognized as a liability according to **SFFAS No. 1** and **SFFAS No. 7**. Assets collected or received by a Federal entity that represent prepayments or advance payments for which the components are expected to provide goods or services should not be classified as fiduciary activities. This exclusion applies broadly to amounts a customer advances for orders that may be placed in the future or deposits made as part of a bid or settlement process, even if

these amounts are not specifically classified as “unearned revenue” by the entity due to uncertainty about the ultimate realization of the revenue.

C. Operating Revenues and Expenses. Amounts related to operating revenues and expenses may be excluded, also.

D. Seized property, including seized monetary instruments. Seized property is not subject to the reporting requirements for fiduciary activities because it does not meet the definition of a fiduciary activity. Seized assets, including seized monetary instruments, should continue to be reported in accordance with SFFAS No. 3.

102604. Reporting

Reporting on fiduciary activities is required in two notes to the financial statements. In the Significant Accounting Policies (Note 1), provide a statement that says: “Fiduciary assets are not assets of the [Federal Component entity] and are not recognized on the Balance Sheet.” In the Fiduciary Activities (Note 24), provide a description of the fiduciary relationship, such as the applicable legal authority, the objectives of the fiduciary activity, and a general description of the beneficial owners or class of owners. Also, disclose fiduciary activities in the following schedules:

A. Schedule of Fiduciary Assets. Disclose for all periods presented:

1. The beginning balance of net assets,
2. The inflows from the fiduciary activities by category (e.g., contributions, investment earnings) and outflows by category (e.g., benefit payments, refunds, administrative expenses),
3. The change in net assets, and
4. The ending balance of net assets.

B. Schedule of Net Fiduciary Assets. Disclose the current and prior period ending balances of cash and any other assets by category (e.g., Fund Balance with Treasury, accounts receivable), liabilities by category (e.g., accounts payable, refunds payable), and a variance analysis addressing significant changes from prior period.

C. Non monetary Fiduciary Assets. Include a description of the composition of the assets, the method(s) of valuation, and changes (if any) from prior period accounting methods.

D. Non valued Fiduciary Assets. No dollar value is required. These assets may include land held in trust. Component entities holding non valued fiduciary assets should disclose them in a Schedule of Changes in Non Valued Fiduciary Assets, which should include a

description of non valued fiduciary assets, beginning quantity, quantity received, quantity disposed of, net increase/decrease in non valued fiduciary assets, and ending total quantity.

*1027 NOTE 25. OTHER DISCLOSURES

Figure 10-43. Other Disclosures

Note 25. Other Disclosures		Current FY Asset Category			
4. As of [Current Fiscal Period End Date]		Land and Buildings	Equipment	Other	Total
(Amounts in thousands)		5.			
		6.			
1. Entity As Lessee		7.			
Operating Leases					
Future Payments Due					
Fiscal Year					
A. Current Fiscal Year (CY)		\$	\$\$\$	\$	\$\$\$
B. Fiscal Year 1 (CY + 1)			\$\$\$		\$\$\$
C. Fiscal Year 2 (CY + 2)			\$\$\$		\$\$\$
D. Fiscal Year 3 (CY + 3)			\$\$\$		\$\$\$
E. Fiscal Year 4 (CY + 4)			\$\$\$		\$\$\$
F. Fiscal Year 5 (CY + 5)			\$\$\$		\$\$\$
G. After 5 Years			\$\$\$		\$\$\$
2. Total Future Lease Payments Due		\$	\$\$\$	\$	\$\$\$

102701. Instructions

Disclose information relating to the reporting entity's financial position and results that are not applicable to any other notes. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. Entity as Lessee - Operating Leases

1. Description of Operating Lease Arrangements. Report information that would disclose the level of the agency's funding commitments which include the following items in the disclosure: the major asset categories and associated lease terms; existence and terms of renewal options; escalation clauses; contingent rental restrictions imposed by lease agreements; deviations from the standard lease terms; and the lease period.

2. Future Payments Due for Operating Leases. Enter future lease payments, by major category, for all irrevocable leases with terms longer than one year. OMB A-136 instructions for this note schedule reflect future payment disclosure requirements for five fiscal years and then all remaining payments due in later years (after 5 years). While this OMB A-136 presentation is appropriate for end of year reporting, quarterly reporting requires an additional line "1.A" for payments due in the remaining current year and will result in the reporting of 6 fiscal years during quarters 1 through 3, instead of the 5 fiscal years displayed in OMB A-136.

1028 NOTE 26. RESTATEMENTS

102801. General Disclosures

Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure. Disclosure is required when management becomes aware of a potential misstatement due to material error(s) whether or not the exact amount is known or has been corrected at the time financial statements are prepared.

A. Where amount of the misstatement is known the disclosure must include the following:

1. The nature of the error and reason for the restatement,
2. The year(s) being restated,
3. Specific financial statement(s) and line items restated,
4. Amount of the error,
5. The effect of the restatement on the financial statements taken as a whole (e.g., change in overall net position and change in audit opinion), and
6. Actions taken by management after discovering the error in published financial statements. Refer to OMB [A-136](#), II.4.5.4, "Management Actions Related to Correction of Errors."

B. Where management has become aware that a material error has occurred but the exact amount is not known and/or financial statements have not yet been corrected:

1. A statement disclosing that a material error (or potential error) affecting previously issued statements has been identified but the specific amount(s) and effect(s) are not yet known;
2. The nature and causes of the error;
3. An estimate of the magnitude of the error and the related effects (financial statements and line items affected) that are known and a statement that the specific amount(s) and related effect(s) cannot be determined without further research; and
4. A statement disclosing that a restatement to previously issued financial statements will or may occur.

**VOLUME 6B, CHAPTER 11: “REQUIRED SUPPLEMENTARY STEWARDSHIP
INFORMATION REPORTING”****SUMMARY OF MAJOR CHANGES**

All changes are denoted by *blue font*.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue and underlined font*.

The previous version dated September 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded for clarity, updated references and electronic links.	Updated

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CHAPTER 11

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION REPORTING

1101 GENERAL

110101. Purpose

This chapter provides the Department of Defense (DoD) guidance and instructions for preparing and reporting Required Supplementary Stewardship Information (RSSI). The stewardship objective of Federal financial reporting requires DoD to report on its stewardship over certain resources entrusted to it [and certain responsibilities assumed by it](#) that cannot be measured in traditional financial reports. These resources [and responsibilities](#) do not meet the criteria for assets and liabilities that are required to be reported in the financial statements but are important to understanding the operations and financial condition of DoD at the date of the financial statements and in subsequent periods.

110102. Scope

All Federal agencies are required to report RSSI. Certain stewardship investments have been designated as RSSI and are defined in Office of Management and Budget [Circular A-136](#), Financial Reporting Requirements.

1102 STEWARDSHIP INVESTMENTS

110201. Description

Stewardship investments are substantial investments made by DoD for the benefit of the nation, but are not physical assets owned by DoD. These items merit special treatment so that users of DoD's financial reports know the extent of investments that have been made for long-term benefit.

110202. Measurement

Stewardship investments are comprised of and should be measured in terms of expenses incurred for: (1) federally-financed but not federally-owned physical property (Nonfederal Physical Property); (2) certain education and training programs (Human Capital); and (3) federally-financed research and development (Research and Development).

110203. Minimum Reporting Requirements

Figure 11-1 provides a summary of DoD's minimum reporting requirements for investments in nonfederal physical property and research and development. DoD is not required to report Human Capital investments. More detailed reporting requirements for Nonfederal Physical Property and Research and Development are discussed in paragraphs 1103 and 1104, respectively.

A. The costs associated with these investments are treated as expenses in the financial statements in the year the costs are incurred. Depending on the nature of the resources, stewardship reporting could consist of financial or nonfinancial data.

B. Existing DoD financial systems are, for the most part, not yet capable of fully supporting Federal Generally Accepted Accounting Principles (GAAP) reporting requirements for RSSI. Federal GAAP requires RSSI to be reported at the full cost of the annual investment in nonfederal physical property and research and development. Full cost as defined by the [*Statement of Federal Financial Accounting Standards \(SFFAS\) No. 8*](#), Supplementary Stewardship Reporting, includes appropriate accrual adjustments, general and administrative overhead, and a share of the cost of facilities.

C. DoD reporting entities shall report RSSI on the basis of annual outlays rather than expenses until their accounting systems fully support the Federal GAAP reporting requirements.

1103 NONFEDERAL PHYSICAL PROPERTY

110301. General

Nonfederal physical property investments are expenses included in calculating net cost incurred by the reporting entity for the purchase, construction or major renovation of physical property owned by state and local governments. Include costs identified for major additions, alterations and replacements, purchases of major equipment, and purchases or improvements of other nonfederal assets. RSSI reporting of nonfederal physical property shall include federally-owned physical property transferred to state and local governments. Grants for maintenance and operations are not considered investments for the purposes of RSSI reporting.

110302. Reporting Requirements

A. Annual RSSI reporting of nonfederal physical property will be provided for the current fiscal year and each of the four preceding fiscal years. Reporting of data for additional years is encouraged if such data would provide a better indication of investment. Annual RSSI reporting of nonfederal physical property shall include a description of federally-owned physical property transferred to state and local governments.

B. In some cases, the required information is not available because DoD Components have maintained records on the basis of outlays rather than expenses. It may be impractical for some DoD Components to reconstruct their accounts on the basis of expense data. The investment in nonfederal physical property costs reflected in this report shall be derived from alternative financial sources of the highest quality until existing DoD financial systems readily support RSSI nonfederal physical property reporting. DoD Components shall continue to report historical data on an outlay basis for any years for which reporting is required and for which expense data are not available.

C. Reporting shall be at a meaningful category or program level. The report format shown in Figure 11-2, identifies National Defense Mission Related as the most probable category. Additional information may be provided in the narrative statement accompanying the nonfederal physical property information if the costs are significant and warrant individual disclosure.

D. Reporting shall include a description of the categories or programs involving investments in nonfederal physical property, as well as a description of programs or policies under which noncash assets are transferred to state and local governments.

110303. Reporting Format

The nonfederal physical property information shall be disclosed in the report format found in Figure 11-2. The columns in the report shall provide the following information:

A. Column (a). Classify assets as either transferred or funded. Transferred assets are assets that had a physical existence (e.g., buildings or land), and were subsequently transferred to state and local governments. Funded assets result from DoD payments used to acquire assets (e.g., funding the acquisition of an armory).

B. Columns (b), (c), (d), (e), and (f). Report the investments in physical property owned by state and local governments by fiscal year. Reported amounts shall be expressed in millions of dollars and represent costs incurred for that fiscal year column only. Investments in nonfederal physical property are not reported on a cumulative basis. Report the investments for the current fiscal year (CFY) in column (b). The four preceding fiscal years should be reported in the following sequence: column (c) will contain investments from the prior fiscal year (CFY-1); column (d) will contain investments from (CFY-2); column (e) will contain investments from (CFY-3); and column (f) will contain investments from (CFY-4).

C. Narrative Statement. A narrative statement shall be included in the report and shall contain a description of the categories and programs. The statement shall include a description of programs or policies under which noncash assets are transferred to state and local governments. When the value of the assets differs materially from the expense reported, the narrative statement will address this difference. For example, discuss material differences between the fair market value and historical cost of base closure assets.

D. If outlay (expenditure) data is used due to system limitations, the report shall also include the following verbatim statement: "Investment values included in this report are based on nonfederal physical property outlays (expenditures). Outlays are used because current DoD systems are unable to capture and summarize costs in accordance with the Federal GAAP requirements."

1104 RESEARCH AND DEVELOPMENT

110401. General

Investments in research and development are incurred in the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new or improved products and processes, with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits. DoD uses Research, Development, Testing and Evaluation (RDT&E) budget activities to fulfill the reporting requirements for Research and Development RSSI. The RDT&E budget activities are broad categories reflecting different types of RDT&E efforts further described in Volume 2B, Chapter 5 of this Regulation.

110402. Reporting Requirements

A. The DoD Components shall report RDT&E investments for the fiscal year ended in this reporting period, as well as the investments in the four preceding fiscal years. Reporting of data for additional years is encouraged if such data would provide a better indication of the investment.

B. In some cases, the required information is not available because DoD Components have maintained records on the basis of outlays rather than expenses. It may be impractical for some DoD Components to reconstruct their accounts on the basis of expense data. The Research and Development RSSI costs reflected in this report shall be derived from alternative financial sources of the highest quality until existing DoD financial systems readily support Research and Development RSSI reporting. DoD Components shall continue to report historical data on an outlay basis for any years for which reporting is required and for which expense data are not available.

C. If outlay (expenditure) data is used due to system limitations, Research and Development RSSI costs shall be derived from RDT&E outlays reported in the budget execution reports entitled "Appropriation Status by FY Program and Subaccounts (ACCT RPT(M) 1002)" until DoD financial systems support RSSI reporting requirements. The reporting format of this report is found in Volume 6A, Chapter 4 of this Regulation. Costs for each year shall represent total outlays (expenditures) against all outstanding appropriations paid during the reporting period.

110403. Reporting Format

The research and development information shall be presented in the report format found in Figure 11-3. The columns in the report shall provide the following information:

A. Column (a). List the research and development RSSI categories and subcategories in the same order described in paragraph 110403.C. of this chapter. Additional meaningful category or program information may be provided in the narrative statement when appropriate.

B. Columns (b), (c), (d), (e), and (f). Reported amounts shall be expressed in millions of dollars and represent costs incurred for that fiscal year column only. Investments in research and development are not reported on a cumulative basis. Report the investments for the current fiscal year (CFY) in column (b). The four preceding fiscal years should be reported in the following sequence: column (c) will contain investments from the prior fiscal year (CFY-1); column (d) will contain investments from (CFY-2); column (e) will contain investments from (CFY-3); and column (f) will contain investments from (CFY-4).

C. Narrative Statement. A statement shall be included in the report following the table and include a specific narrative:

1. A verbatim statement explaining each type of Research and Development Category and Subcategory:

a. **“Basic Research** is the systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications, processes, or products in mind. Basic Research involves the gathering of a fuller knowledge or understanding of the subject under study. Major outputs are scientific studies and research papers.”

b. **“Applied Research** is the systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met. It is the practical application of such knowledge or understanding for the purpose of meeting a recognized need. This research points toward specific military needs with a view toward developing and evaluating the feasibility and practicability of proposed solutions and determining their parameters. Major outputs are scientific studies, investigations, and research papers, hardware components, software codes, and limited construction of, or part of, a weapon system to include nonsystem specific development efforts.”

c. **“Development** takes what has been discovered or learned from basic and applied research and uses it to establish technological feasibility, assessment of operability, and production capability. Development is comprised of five stages defined below:

(1) **Advanced Technology Development** is the systematic use of the knowledge or understanding gained from [research](#) directed toward proof of technological feasibility and assessment of operational and productibility rather than the development of hardware for service use. Employs demonstration activities intended to prove or test a technology or method.

(2) **Advanced Component Development and Prototypes** evaluates integrated technologies in as realistic an operating environment as possible to assess the performance or cost reduction potential of advanced technology. Programs in this phase are generally system specific. Major outputs of Advanced Component Development and Prototypes are hardware and software components, or complete weapon systems, ready for operational and developmental testing and field use.

(3) **System Development and Demonstration** concludes the program or project and prepares it for production. It consists primarily of preproduction efforts, such as logistics and repair studies. Major outputs are weapons systems finalized for complete operational and developmental testing.

(4) **RDT&E Management Support** is support for installations and operations for general research and development use. This category includes costs associated with test ranges, military construction maintenance support for laboratories, operation and maintenance of test aircraft and ships, and studies and analyses in support of the R&D program.

(5) **Operational Systems Development** is concerned with development projects in support of programs or upgrades still in engineering and manufacturing development, which have received approval for production, for which production funds have been budgeted in subsequent fiscal years.”

2. A description of significant accomplishments for two programs in each of the three major categories (Basic, Applied, and Development - a total of six programs). The programs selected for discussion should be significant in terms of the use of resources, have significant visibility and have a high impact to the war fighter. As an introductory statement, the following disclosure should be included verbatim “The following are two representative program examples for each of the above major categories.”

3. Outputs or outcomes, whichever is available:

a Output. When available, significant and substantial scientific outputs shall be presented as a tabulation, calculation, or recording of activity or effort that can be expressed in an aggregated and brief quantitative or qualitative manner. Outputs shall have two key characteristics: (a) an output shall be systematically or periodically captured through an accounting or management information system, and (b) there shall be a logical connection between the reported measure and purpose of the RDT&E program. In RDT&E programs, this could consist of data for the year concerning the number of new projects initiated, the number continued from the prior year, the number completed and the number terminated. It also could consist of such quantitative measures as bibliometrics (e.g., publication counts, citation counts and analysis, and peer evaluation); patent counts and analysis; and science indicators that assess the ongoing vitality of the research.

b Outcome. When available, outcomes shall be presented in an aggregated and brief manner as an assessment of the results of a program compared to its intended purpose. Because of the difficulty of measuring the results of research and development programs in financial, economic, or quantitative terms, outcome data for such programs shall consist of a narrative discussion of the major results achieved by the program during the year. Outcome information should be concisely written in a plausible manner for judging the extent to which the program is achieving its purpose.

Figure 11-1 Summary of Minimum Stewardship Reporting Requirements

INFORMATION REPORTED	NONFEDERAL PHYSICAL PROPERTY	RESEARCH AND DEVELOPMENT
1. Annual investment by category or level *	Include full cost of the investment made for the current year, including description of Federal property transferred to state and local governments, and the preceding 4 years. Report additional years of data if it provides a better indication of investment.	Include full cost of the investment made for the current year and the preceding 4 years. Report additional years of data if it provides a better indication of investment.
2. Description of major programs	Describe major programs involving Federal investments, including description of programs or policies under which non-cash assets are transferred to state and local governments.	Describe major research and development programs.
* The DoD Components shall continue to report historical data on an outlay basis for any years for which reporting is required and for which expense data are not available.		

Summary of Minimum Stewardship Reporting Requirements
Figure 11-1

Figure 11-2 Nonfederal Physical Property Format

NONFEDERAL PHYSICAL PROPERTY Yearly Investment in Physical Property Owned by State and Local Governments For the Current and Four Preceding Fiscal Years (In Millions of Dollars)					
<u>(a)</u> <u>Categories</u>	<u>(b)</u> <u>CFY</u>	<u>(c)</u> <u>CFY-1</u>	<u>(d)</u> <u>CFY-2</u>	<u>(e)</u> <u>CFY-3</u>	<u>(f)</u> <u>CFY-4</u>
Transferred Assets:					
1. National Defense Mission Related					
Funded Assets:					
2. National Defense Mission Related					
Total					

Nonfederal Physical Property Format

Figure 11-2

Figure 11-3 Research and Development Format

INVESTMENTS IN RESEARCH AND DEVELOPMENT					
Yearly Investment in Research and Development					
For the Current and Four Preceding Fiscal Years					
(In Millions of Dollars)					
(a)	(b)	(c)	(d)	(e)	
(f)					
<u>Categories</u>	<u>CFY</u>	<u>CFY-1</u>	<u>CFY-2</u>	<u>CFY-3</u>	<u>CFY-4</u>
1. Basic Research					
2. Applied Research					
3. Development					
Advanced Technology Development					
Advanced Component Development					
and Prototypes					
System Development and Demonstration					
Research, Development, Test and Evaluation					
Management Support					
Operational Systems Development					
Totals					

Research and Development Format
Figure 11-3

VOLUME 6B, CHAPTER 12: “REQUIRED SUPPLEMENTARY INFORMATION”**SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated September 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Replaced the term “maintenance” with “maintenance and repairs” in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 40.	Updated
1202	Revised DoD Agency-Wide appropriation/fund account groups from ten appropriation groupings to seven.	Updated
120301	Revised definition of maintenance and repairs provided in the SFFAS No. 40.	Updated
120301.C and D	Added two new disclosure requirements for Deferred Maintenance and Repairs required by SFFAS No. 40.	Added

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CHAPTER 12

REQUIRED SUPPLEMENTARY INFORMATION

1201 OVERVIEW

120101. Purpose

This chapter provides the Department of Defense (DoD) guidance and instructions for preparing and reporting “Required Supplementary Information” (RSI).

120102. Scope

All federal agencies are required to report RSI. Certain information has been designated as RSI and is defined in the Office of Management and Budget (OMB)

[Circular A-136](#), Financial Reporting Requirements.

***1202 DISAGGREGATED STATEMENT OF BUDGETARY RESOURCES (SBR)**

The Disaggregated SBR shall be prepared and reported as RSI. The format of the Disaggregated SBR shall follow the format contained in Chapter 7 of this volume. The OMB allows reporting entities to aggregate smaller budget accounts for purposes of the RSI Disaggregated SBR reporting. The DoD has elected to aggregate smaller budget accounts within an account grouping titled "Other Accounts." The major account groupings and the aggregate of smaller budget accounts shall, in total, agree with the amounts reported on the face of the reporting entity's SBR. The DoD Agency-wide SBR shall be disaggregated into the following appropriation/fund account groupings: (1) Military Retirement [Benefits](#); (2) Civil Work; (3) Military Personnel; (4) [Operations, Readiness, and Support](#); (5) Procurement; (6) Research, Development, Test, and Evaluation; and (7) [Family Housing and Military Construction](#).

1203 DEFERRED MAINTENANCE AND REPAIRS

***120301. Annual Financial Statements**

The Department is required to report in its annual financial statements material amounts of deferred maintenance and repairs on property, plant and equipment (PP&E). See Volume 4, Chapter 6 (Property, Plant and Equipment) of this Regulation for additional information. This reporting requirement is prescribed in the [Statement of Federal Financial Accounting Standards \(SFFAS\) No. 6 “Accounting for Property, Plant and Equipment”](#), [SFFAS No. 14, “Amendments to Deferred Maintenance Reporting, and SFFAS No. 40 “Definitional Changes Related to Deferred Maintenance and Repairs.”](#) “Deferred maintenance and repairs are maintenance and repairs that were not performed when it should have been or was scheduled to be and which, therefore, is put off or delayed for a future period.” SFFAS No. 6 as amended by SFFAS No. 14 requires that deferred maintenance and repairs information be included as RSI. It is important to note that footnote 58 cited in

paragraph 78 of *SFFAS No. 6* provides that “Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset. Maintenance and repairs, as distinguished from capital improvements, exclude activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use.” Determination of acceptable condition affects the amount of deferred maintenance and repairs. In some cases, such as heritage assets and stewardship land, management may determine that maintenance and repairs are not needed. In that case, deferred maintenance and repairs would not exist. For General PP&E, the following deferred maintenance and repairs information shall be reported as RSI:

A. Identification of each major class of asset for which maintenance and repairs have been deferred.

B. The method of measuring deferred maintenance and repairs for each major class of PP&E is described in Volume 6A, Chapter 14 (Depot Maintenance Reporting) of this regulation and the Facility Quality (Q) Rating Guidance. *SFFAS No. 6* and 14 provide detailed guidance on the extent of the disclosures required by the condition assessment survey and the total life-cycle cost methods. Financial statement preparers are encouraged to refer to *SFFAS No. 6* and 14 for additional information.

* C. If the condition assessment survey method of measuring deferred maintenance and repairs are used, the following should be presented for each major class of PP&E:

1. Description of requirements or standards for acceptable operating conditions; and

2. Any changes in the condition requirements or standards, and asset condition and a range or a point estimate of the dollar amount of maintenance and repairs needed to return assets to their acceptable condition.

* D. If total life-cycle cost method is used, the following should be presented for each major class of PP&E:

1. The original date of the maintenance and repairs forecast and an explanation for any changes to the forecast;

2. Prior year balance of the cumulative deferred maintenance and repairs amount;

3. The dollar amount of maintenance and repairs that was defined by the professionals who designed, built or manage the PP&E as required maintenance and repairs for the reporting period;

4. The dollar amount of maintenance and repairs actually performed during the period;
5. The difference between the forecast and actual maintenance and repairs;
6. Any adjustments to the schedule amounts deemed necessary by the managers of the PP&E; and
7. The ending cumulative balance for the reporting for each major class of asset experiencing deferred maintenance and repairs.

120302. Reporting on Real Property Deferred Maintenance and Repairs.

The DoD Components shall report the amount of deferred maintenance and repairs costs for real property assets (Table 12-1, Real Property Deferred Maintenance and Repairs). These costs shall include deferred maintenance and repairs on multi-use Heritage Assets. If a DoD Component does not have any material deferred maintenance and repairs amounts for real property, then the table may be replaced by a brief statement disclosing that fact.

A. Multi-Use Heritage Assets Deferred Maintenance and Repairs. Multi-use Heritage Assets are Heritage Assets that not only have historical, cultural or architectural significance but are also used for general Government operations. Include a comment in the narrative statement if deferred maintenance and repairs amounts for multi-use Heritage Assets are included in the buildings and structures property types.

B. Real Property Deferred Maintenance and Repairs. The real property deferred maintenance and repairs amounts disclosed in Table 12-1 as follows.

Table 12-1 Real Property Deferred Maintenance and Repairs For Fiscal Year Ended September 30, XXXX (In Millions of Dollars)			
Property Type	Current Fiscal Year (CFY)		
	1. Plant Replacement Value	2. Required Work (Deferred Maintenance & Repairs)	3. Percentage
1. Category 1: Buildings, Structures, and Utilities (Enduring Facilities)	\$ \$\$\$	\$ \$\$\$	%
2. Category 2: Buildings, Structures, and Utilities (Excess Facilities or Planned for Replacement)	\$ \$\$\$	\$ \$\$\$	%
3. Category 3: Buildings, Structures, and Utilities (Heritage assets)	\$ \$\$\$	\$ \$\$\$	%
<u>Narrative Statement:</u>			

1. Column 1. Enter the aggregate plant replacement value (PRV) of all facilities (buildings, structures, and utilities) in the reportable inventory. The reportable inventory shall consist of all facilities in which DoD has ownership interest under the control of the reporting component for each category of facilities described below.

2. Column 2. Using the reported Quality-rating (Q-rating), value between 0-100, for each facility at the end of the reporting period, enter the aggregate value of all required work to bring all facilities in the reportable inventory to acceptable operating condition. Q-rating is a real property inventory data field that captures the condition index for each facility. The condition index is a measure of a constructed asset's condition at a specific point in time with respect to physical condition. "Requirements" in the numerator below is the total of all current deferred maintenance and repairs work needed to correct existing facility deficiencies. For each facility, the Q-rating is represented by the formula:

$$Q = 1 - ((Requirements/PRV) * 100)$$

$$Requirements = ((100-Q)/100)*PRV$$

3. Column 3. Divide the value in column 2 by the value in column 1 to reflect the deferred maintenance and repairs as a percent of the total PRV.

4. Row 1. Category 1 facilities: enduring facilities required to support an ongoing mission including multi-use Heritage Assets.

5. Row 2. Category 2 facilities: facilities excess to requirements, or planned for replacement or disposal including multi-use Heritage Assets.

6. Row 3. Category 3 facilities: heritage assets (building and structure). This category should not include heritage assets that are captured under categories 1 and 2.

C. Condition Assessment Survey Method. A narrative statement shall be included with the table to explain:

1. The method used to assess facility condition and establish facility Q-ratings.
2. Any changes to the method that may have taken place since the last report.

120303. Reporting on Military Equipment Deferred Maintenance and Repairs.

The Military Departments shall use the format in Table 12-2 to report material amounts of deferred maintenance and repairs on military equipment. The deferred maintenance and repairs amounts reported in the Budget Exhibit Operations (OP) Depot Maintenance (30) that accompanied the most recent President's Budget shall be used as the basis to identify and report amounts in the Military Equipment Deferred Maintenance and Repairs column of Table 12.2.

Table 12-2 Military Equipment Deferred Maintenance <u>and Repairs</u>			
For Fiscal Year Ended September 30, XXXX			
(In Millions of Dollars)			
Major Categories	OP30 Amounts	Adjustments*	Totals
1. Aircraft			
2. Automotive Equipment			
3. Combat Vehicles			
4. Construction Equipment			
5. Electronics and Communications Systems			
6. Missiles			
7. Ships			
8. Ordnance Weapons and Munitions			
9. General Purpose Equipment			
10. All Other Items Not Identified to above Categories			
Total			
Narrative Statement:			
*Narrative statement required			

A. The amounts reflected in the Budget Exhibit OP-30 are reported by using a more detailed Work Breakdown Structure (WBS), rather than the high level WBS reflected in

Table 12-2. Such amounts shall be aggregated to reflect the major, single digit WBS Codes contained in Volume 6A, Chapter 14 (Depot Maintenance Reporting) of this regulation.

B. Military Departments shall include the amounts reported in the Budget Exhibit OP-30 for their respective Guard or Reserve Components.

C. Material amounts of deferred maintenance and repairs beyond the scope of the OP-30 Budget Exhibit, may exist and warrant reporting. These amounts will be reported in the “Adjustments” column in Table 12-2 and discussed in the narrative statement. Examples of potential reporting instances include, but are not limited to, the following:

1. Supplemental appropriations.
2. An extended work stoppage in a maintenance and repairs facility for which no work around or alternate source of repair is identified.
3. Unfunded depot or field maintenance and repairs work contracted under Interim Contractor Support (ICS), Contractor Logistics Support (CLS), or a similar contract.

D. If an amount of non OP-30 deferred maintenance and repairs are identified in the “Adjustments” column in Table 12-2, it shall be explained in the narrative by describing the nature, dollar value, and subcategory of each non OP-30 amount.

E. The table should include a narrative statement explaining the method used to value the deferred maintenance and repairs amounts and any changes that may have taken place.

1204 HERITAGE ASSETS AND STEWARDSHIP LAND CONDITION INFORMATION

120401. General

SFFAS No. 29 reclassified all heritage assets and stewardship land information as basic information except for condition information, which is reported as RSI, and may be reported with the deferred maintenance and repairs information.

A. Basic Information. Stewardship PP&E, also referred to as stewardship assets, is PP&E owned by the Federal Government and includes heritage assets and stewardship land. Refer to Volume 4, Chapter 6 and Volume 6B, Chapter 10 of this regulation for additional information on stewardship PP&E.

B. Condition Information. Condition refers to the physical state of an asset. The condition of an asset is based on an evaluation of the physical status/state of an asset, its ability to perform as planned, and its continued usefulness. Evaluating an asset’s condition requires knowledge of the asset, its performance capacity and its actual ability to perform, and expectations for its continued performance. The condition of a long lived asset is affected by its

durability, the quality of its design and construction, its use, the adequacy of maintenance that has been performed, and many other factors, including: accidents (an unforeseen and unplanned or unexpected event of circumstances), catastrophes (a tragic event), disasters (a sudden calamitous event bringing great damage, loss, or destruction), and obsolescence.

1. Narrative information pertaining to the condition of the heritage assets. The measurement of condition is general in nature and should be based on the assessment of heritage assets taken as a whole rather than each category of assets separately. The criteria used to establish the condition should be explained in detail. The discussion may, for example, provide information on whether the condition of the assets is generally improving or deteriorating. In addition, the DoD Components should disclose, and provide comment, if significant condition deficiencies have been identified. The condition of heritage assets shall reflect similar categories for heritage assets reported in the basic financial statements

2. Narrative information pertaining to the condition of the stewardship land shall reflect similar categories for stewardship land reported in the basic financial statements.

VOLUME 6B, CHAPTER 13: “ADJUSTMENTS, ELIMINATIONS, AND OTHER SPECIAL INTRAGOVERNMENTAL RECONCILIATION PROCEDURES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by [blue font](#).

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by [***bold, italic, blue and underlined font***](#).

The previous version dated June 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded and reformatted chapter for clarity and ease of reading. Revised electronic links in accordance with Financial Management Regulation (FMR) updating procedures.	Update
All	Revised references to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) Financial Reporting Guidance. This guidance is now produced by Department of Defense Audited Financial Statements Reporting & Analysis (DoD AFSR&A).	Update
All	Updated references to the Intragovernmental Transactions Accounting Policy Guide (APG). This information has been incorporated into Volume 1, Part 2, Chapter 4700 of the Treasury Financial Manual (TFM), “Agency Reporting Requirements for the Financial Report of the United States Government.”	Update
1303	Deleted the list of categories used to report reciprocal intra-governmental transactions and provided a link to Volume 1, Part 2, Chapter 4700 of the TFM that contains an updated list of these categories.	Delete
130503.B	Updated chapter to reflect the current procedures to be followed for elimination waiver adjustments.	Update
130904	Updated to reflect the current reporting requirement to report all transactions with the Foreign Military Trust Fund as federal.	Update

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CHAPTER 13

ADJUSTMENTS, ELIMINATIONS, AND OTHER SPECIAL INTRAGOVERNMENTAL RECONCILIATION PROCEDURES

1301 OVERVIEW

*130101. Purpose

This chapter provides general instructions for preparing worksheets in support of trading partner exchange of data, eliminating intragovernmental transactions from the Department of Defense (DoD) quarterly and annual financial statements, and providing elimination information to the Department of Treasury (hereafter referred to as “Treasury”), for use in preparing the Governmentwide financial statements. Additional information regarding the elimination process and adjusting entries can be found in the [DoD Audited Financial Statements Reporting & Analysis \(DoD AFSR&A\) Financial Reporting Guidance](#), hereafter referred to as “DoD AFSR&A Guidance.”

130102. Scope

For the most part, DoD’s current accounting systems do not capture trading partner information at the level required to eliminate intragovernmental transactions. Therefore, current systems cannot produce the data necessary for reconciliations between buyers and sellers. This chapter provides interim policies and procedures to be used until required systems and process improvements can be implemented.

1302 BACKGROUND

*130201. Intragovernmental Balances

All DoD reporting entities are required to report intragovernmental account balances in their financial statements and eliminate appropriate intra-DoD balances. Intragovernmental account balances are classified by category and level. The category of transaction refers to the nature of the accounting event that resulted in the transaction. Refer to [section 1303](#) of this chapter for information addressing categories of transactions. The level of the transaction refers to the nature of the trading partner involved. Refer to [section 1305](#) of this chapter for information addressing the levels of intragovernmental trading partners. The objective of eliminating intragovernmental account balances is to offset the effect of transactions between a DoD Component and other federal agencies, DoD reporting entities, and organizations within a DoD Component. The Statement of Budgetary Resources is presented as a combined statement and thus intragovernmental budgetary accounts are currently not coded or eliminated. For intra-DoD accounts receivable, revenues, and advances from others (unearned revenue) it is presumed that the amounts reported by the seller are more accurate than the corresponding amounts reported by the buyer. As a result, the Defense Finance and Accounting Service (DFAS) and DoD reporting entities use information from the DoD reporting entity making sales, or providing services (“seller-side”), to another DoD reporting entity who would be the recipient and

purchaser of those goods or services (“buyer-side”) as the basis for reporting most of its intra-DoD balances. For DoD reporting entities [that](#) are not waived from elimination adjustments, intra-DoD accounts payable, expenses, advances, and assets (where the information is available) must be adjusted to match the seller records. [Refer to paragraph 130503.B of this chapter for waiver requirements.](#) Additional information on the intragovernmental process can be found in the [DoD AFSR&A Guidance](#) and the Defense Departmental Reporting System - Audited Financial Statements (DDRS-AFS) User Manuals, “[Module IX-Query.](#)”

***130202. Eliminating Entries**

Eliminating entries shall be based on the information provided by the seller/service provider unless a waiver is obtained. [Refer to paragraph 130503.B. of this chapter for waiver requirements.](#) Information regarding the data that is required for financial reporting and the steps DoD reporting entities and accounting centers (DFAS Centers and United States Army Corps of Engineers (USACE) – Finance Center) must take to collect, review, and adjust summary level trading partner data prior to eliminating the effect of intra-DoD transactions can be found in the [DoD AFSR&A Guidance](#). This guidance also includes examples of basic journal entries that should be made at the departmental level to [record](#) adjustments for unrecorded buyer-side transactions needed to match seller performance [and](#) [eliminate](#) the effects of intra-DoD transactions. As information for current year capitalized assets is captured, buyer side adjustments may include that information. [Refer to section 1304 of this chapter for information addressing](#) intragovernmental capitalized purchases.

1303 RECIPROCAL ACCOUNT TRANSACTIONS

[*The transactions for which intragovernmental data shall be collected will be divided into the reciprocal categories and the reciprocal United States Standard General Ledger \(USSGL\) accounts that comprise these categories. \[These requirements are identified in Appendices 6 and 7 of Volume 1, Part 2, Chapter 4700 of the Treasury Financial Manual \\(TFM\\), “Agency Reporting Requirements for the Financial Report of the United States Government” \\(TFM 2-4700\\). Refer to paragraph 130502.A. of this chapter, for intragovernmental transaction guidance.\]\(#\)](#)

1304 INTRAGOVERNMENTAL CAPITALIZED PURCHASES

[*All current year capitalized asset purchase amounts must be captured and reported in USSGL \[accounts\]\(#\) 8801 “Offset for Purchases of \[Assets\]\(#\),” 8802 “Purchases of Property, Plant, and Equipment,” 8803 “Purchases of Inventory and Related Property,” and 8804 “Purchases of Assets – Other.” These accounts must identify whether the items capitalized were purchased from \[nonfederal\]\(#\) sources or \[federal\]\(#\) agencies. Where the capitalized items are from \[federal\]\(#\) agencies, the agencies trading partner codes must be captured. \[This information will be used to prepare the financial statements and \\[reconcile\\]\\(#\\) reciprocal accounts with the federal trading partners. The full reconciliation equation “expense plus current year capitalized acquisitions from a \\[federal\\]\\(#\\) agency will equal the reciprocal \\[federal\\]\\(#\\) agency revenue” is reflected in the Buy/Sell Costs/Revenues category for elimination of intragovernmental transactions and is addressed in \\[TFM 2-4700.\\]\\(#\\)\]\(#\)](#)

1305 LEVELS OF INTRAGOVERNMENTAL TRADING PARTNERS

130501. Trading partners

The USSGL accounts shall be assigned either a federal (F) or a nonfederal (N) attribute. When an account is assigned an “F” attribute, a trading partner identification attribute shall also be assigned. There are three levels of intragovernmental trading partners for which intragovernmental transactions must be identified.

130502. Level 1 Trading Partners – Non-DoD Federal Agencies

Level 1 transactions are between DoD and other federal agencies, e.g., between the Department of the Air Force and the Department of Commerce. Level 1 transaction balances are identified by the Treasury Trading Partner codes and attributes attached to the USSGL accounts and are used to eliminate intragovernmental transactions during preparation of the “Financial Report of the United States Government” (*FR*). Level 1 transactions include sales of goods and services and specialized transactions, such as loans, interest receivable, other post-employment benefits, or civil service retirement benefit payments. DoD reporting entities are to document the procedures used to identify and verify the accuracy of their intragovernmental assets, liabilities, revenues and expense balances.

*A. Intragovernmental Transactions. Treasury Financial Management Service (FMS) issued the TFM 2-4700 to streamline the accounting procedures regarding intragovernmental transactions and provide a means for federal entities to ensure accurate recording, reporting, and reconciliation. All DoD entities executing or participating in intragovernmental acquisitions (either internal to DoD or external with other federal partners) are required to follow the Intragovernmental Business Rules contained in appendix 10 of the TFM 2-4700, and to exchange and capture the pertinent data elements specified. Treasury eliminates all Intragovernmental transactions when preparing the *FR*. Since Treasury eliminates these amounts, the accounting centers must ensure that the balances confirmed with the trading partners agree with the balance submitted via the Federal Agencies' Centralized Trial-Balance System (*FACTS*) I and in the Governmentwide Financial Reporting System (*GFRS*).

B. Intragovernmental Fiduciary Transactions. Selected Level 1 information for transactions with the Treasury Investments, Borrowings, and Federal Financing Bank; the Department of Labor Federal Employees Compensation Act transactions; and the Office of Personnel Management (OPM) Employee Benefit transactions for Retirement, Health Insurance, and Life Insurance are specifically required to be fully reconciled. Reconciliation of the intragovernmental fiduciary transactions is performed in the Treasury web-based Intragovernmental Fiduciary Confirmation System (*IFCS*). Treasury eliminates these amounts when preparing the *FR*. Accounting centers shall ensure that the balances confirmed with the trading partners agree with the balances submitted via *FACTS* I and in *GFRS*.

130503. Level 2 and 3 Trading Partners – Other DoD Reporting Entities

Level 2 balances result from transactions between DoD reporting entities, e.g., between the Department of the Army Working Capital Funds (WCF) and the Department of the Navy General Funds (GF). The DoD reporting entities are identified in section 0105 of Volume 6B, Chapter 1. Level 2 transactions are identified by trading partner codes and supplemental internal DoD codes. Level 3 trading partners are within a DoD Component. Level 3 transactions are between Components of the DoD audited financial statement reporting entities, i.e., Army WCF, Supply Management and Army WCF, Depot Maintenance, Other; and Department of the Navy GF, Operations and Maintenance and Department of the Navy GF, Research Development, Test, and Evaluation. There are up to four sublevels of eliminations. The elimination totals are shown on the DoD Component's supporting consolidating statements. For example, the Navy GF Level 3 eliminations would be between: (A) Navy and Marine Corps; (B) Navy Military Personnel and Navy Procurement; (C) Navy Military Personnel trial balance AT17AA1_1453 and Navy Reserve Personnel trial balance AT17AA1_1405; and (D) internally within Navy Military Personnel trial balance AT17AA1_1453.

A. Elimination Adjustments. Accounting centers, in conjunction with the supported DoD reporting entities, will accumulate seller-side data at the buyer entity code trial balance level and use it to adjust buyer side accounts. These steps are for Levels 2 and 3 only. This action will not affect the Level 1 balances identified in paragraph 130502 of this chapter.

1. Step 1. DoD reporting entities will ensure that their reported seller-side balances are accurate and compliant, including proper revenue recognition and timely liquidation of receivables to avoid erroneous adjustments being forced to their customer's buyer-side balances. The accounting centers shall work with their customers to aggregate the seller-side balances at the buyer's entity code trial balance level. When gathering, reviewing, and exchanging data with trading partners internal to DoD at all levels, the accounting centers shall ensure that the seller-side data provided is complete and accurate. The accounting centers must review data with the customers before exchanging the data with their DoD trading partners. This review shall identify any abnormal balances, such as negative revenue. The accounting centers shall work with their customers to resolve the abnormal balances and correct them before exchanging DoD trading partner data. These balances will include all Level 2 and 3 transaction amounts for the reciprocal accounts described in section 1303 of this chapter, for the entity code trial balance levels they service. In conjunction with the identification and application of supported undistributed collections (refer to Volume 6B, Chapter 4 for guidance related to the application of undistributed transactions) to outstanding accounts receivable, sellers may identify a portion of such undistributed transactions as relating to federal partners and may allocate a portion to reduce accounts receivable for specific partners. Supported undistributed collections applied to reduce accounts receivable balances should be identified to the respective partners during the information exchange previously discussed. No supported undistributed collections or disbursements should be allocated to either accounts receivable or payable balances with waived entities (refer to paragraph 130503.B. of this chapter), however, specifically identifiable amounts will be assigned to waived entities. Each accounting center shall input the seller-side totals (adjusted for waived buyers) into DDRS-AFS.

2. Step 2. After the seller-side balances are input into DDRS-AFS, the accounting center maintaining the departmental level general ledger accounts for the buyer reporting entity will generally post departmental level adjusting entries to balance the appropriate account balances with the seller-side records in DDRS-AFS. DoD buyers with supporting documentation may challenge DoD sellers in accordance with timeframes contained in the Financial Statement and Agency Financial Report Schedule.

3. Step 3. Any changes made to seller-side data after data was exchanged with a trading partner shall be communicated to the trading partner. These changes shall be communicated by reissuing only the revised seller-side data to respective trading partners.

4. Step 4. The Level 2 and Level 3 eliminations shall be computed as part of the process of preparing the entity and supporting schedule level financial statements. The accounting centers must ensure that the buyer-side and seller-side data are in balance before the elimination entries are prepared.

5. Step 5. All elimination adjusting entries shall be reversed at the beginning of the next reporting period.

*B. Waiver from Elimination Adjustments. In some instances, a DoD reporting entity may believe that its buyer-side data is more complete, accurate, and supported than is the associated seller-side data. The DoD reporting entity with the supported buyer-side data must send a memorandum to DoD AFSR&A requesting a waiver from elimination adjustments. The request must be submitted by December 1 of each fiscal year. The request must include independent auditor validation (internal or external) of trading partner data submitted for the financial statements of the most recent fiscal year ended. The independent validation should include random sampling of an established population and procedures must be adequate to support a determination as to the validity of the submitter's data. Results of the test, including record counts and amounts tested and outcomes, must accompany the request. Initial requests must always be accompanied by this independent validation. If approved, the waiver shall remain in effect indefinitely, until such time as conditions warrant reconsideration. All waived entities shall certify by December 1 of each year that the conditions that existed when the waiver was granted continue to exist. Specifically, Components shall confirm that:

1. No changes to their intragovernmental procedures have occurred since the waiver was granted; and

2. There are no auditor- and management-identified internal control weaknesses associated with intragovernmental transaction processing and reporting; and

3. The Component has not experienced significant valid challenges to the waived entity's reported balances

C. [Approved Waivers](#). Exemptions from [elimination adjustments](#) must be coordinated in advance of the December 1 waiver request due date. If the waiver request is approved, all of the following apply:

1. The DoD reporting entities will identify both seller-side and buyer-side balances to their supporting accounting center. The accounting center supporting the reporting entity will provide the customer buyer-side details to the accounting center supporting the seller. The accounting center supporting the seller will identify any adjustments that may be required to force seller-side balances to agree with the buyer-side balances provided. The desired sellers may challenge the buyer-side balances in accordance with procedures in paragraph [130503.C.2](#). The accounting center supporting the seller will enter the final seller-side balances into DDRS-AFS.

* 2. If the seller disagrees with the buyer-side balances supplied by waived entities, they should dispute the balances. If waived buyer-side balances are disputed, the waived entity must work with their supporting accounting center to provide documentation to support the buyer-side data. If the reconciliation identifies that adjustments are required, such adjustments will be recorded in accordance with time frames established annually by the [DoD AFSR&A](#) Guidance. Both the buyer and seller will report all waived entity challenges to [DoD AFSR&A](#), regardless of outcome, within 30 days of the quarter-end.

* 3. If both the buyer and seller have been waived from buyer-side adjustments, the waived entities shall work with one another and their respective accounting centers to reconcile the balances and to identify any reconciling items that must be considered during the eliminations process. Both waived entities will report all challenges to [DoD AFSR&A](#), regardless of outcome, within 30 days of the quarter-end.

*1306 ELIMINATION OF BUDGETARY ACCOUNTS (4000 SERIES ACCOUNTS)

The budgetary information shall be presented on a combined basis, with no elimination of budgetary accounts, in order to be consistent with information reported on the “Report on Budget Execution and Budgetary Resources” ([SF 133](#)) in accordance with Office of Management and Budget (OMB) Circular [A-11](#), “Preparation, Submission, and Execution of the Budget.”

1307 RECONCILIATION WITH OTHER REPORTS

All information reported in any other external reports shall be reviewed for consistency with the information included in the quarterly and the annual audited financial statements.

1308 RECONCILIATION WITH LEVEL 1 TRADING PARTNERS

*130801. [Reconciliation](#)

OMB Circular [A-136](#), “Financial Reporting Requirements,” requires reporting entities to reconcile intragovernmental reciprocal accounts described in section 1303 of this chapter, with

their trading partners. [The TFM 2-4700](#) includes guidance to facilitate the reconciliation of intragovernmental transactions.

130802. [Legacy Systems](#)

The lack of federal identifiers within the legacy systems limits the ability of some DoD reporting entities to accurately compile and report intragovernmental balances with other federal partners. This may require that some DoD reporting entities devise methodologies to estimate the associated partner balances. When applicable, the affected DoD reporting entities shall develop and document an estimation methodology. This methodology may include, but is not limited to, the assessment of balances provided or previously reported by Level 1 partners. If Level 1 partner balances are used to estimate DoD balances for reporting, those balances must first be either reconciled with the Level 1 partners, or at a minimum, assessed for reasonableness by the DoD reporting entity.

*130803. [Intragovernmental Reporting and Analysis System \(IRAS\)](#)

Each quarter, Treasury populates detailed trading partner data into IRAS. The IRAS provides comparisons of balances reported by all federal partners and facilitates intragovernmental consolidation and elimination required for Governmentwide reporting. As an output of the IRAS comparison, Treasury will provide quarterly Intragovernmental Material Differences Reports by Treasury Index to each Military Service (Departments 17, 21, 57), USACE (Department 96), and the Other Defense Organizations (Department 97). These reports will be reviewed and explanations for differences will be provided to Treasury in accordance with requirements contained in the [TFM 2-4700](#), and in the [DoD AFSR&A Guidance](#).

130804. [FACTS I & GFRS](#)

Treasury shall use the Level 1 trading partner amounts reported in FACTS I, along with information submitted in GFRS, to compile the elimination entries necessary to prepare the [FR](#).

1309 FEDERAL TRADING PARTNER CODES

130901. Trading Partner Codes

Trading partner code information is reported to Treasury by FACTS I Attributes and in GFRS. The [trading partner](#) codes are used in conjunction with the general ledger account information to identify amounts that must be eliminated when preparing financial statements. Treasury requires the Treasury Index agency code to be used by all federal agencies for these purposes. A complete list of trading partner codes and additional guidance may be found in Appendix 5 of the (TFM 2-4700).

130902. Trading Partner Effect of Prior Period Adjustments

When it is determined that a prior period adjustment is necessary for a transaction involving another federal agency, the accounting centers shall identify the trading partner and

determine how the transaction was recorded. Additionally, the accounting centers must work with the trading partner to inform the Treasury about the prior period adjustment. This will assist Treasury with eliminations on the Governmentwide financial statements.

130903. Nonfederal Trading Partners

All accounting centers and DoD reporting entities are responsible to properly identify transactions and account balances as federal or nonfederal. The identification of transactions as federal or nonfederal is not always clear, as nonfederal entities may have names suggesting they are federal. For example, the U.S. Department of Agriculture (USDA) Graduate School is a nonfederal trading partner.

*130904. Foreign Military Sales Trust Fund Reporting

In general, DoD Components performing reimbursable activities on behalf of the Foreign Military Sales Trust Fund (11X8242) shall recognize related accounts receivable and revenue as federal citing entity code 11X8242 as the Level 1 trading partner. Administrative service-related transactions with the Defense Security Cooperation Agency (DSCA), which manages the Trust Fund, are recorded as intragovernmental activities. Revenue and accounts receivable related to activities performed by the Defense Contract Management Agency (DCMA), as well as contract audit or financial management activities performed by the Defense Contract Audit Agency (DCAA) and DFAS for the Trust Fund, are intragovernmental and are funded through the surcharge to cover administrative items. Transactions occurring prior to a final transaction with the Trust Fund may be coded as intragovernmental. For example, if a foreign country bought planes, which required modification by the Department of the Navy, the aircraft modifications performed by the Navy WCF for the Navy GF would be intragovernmental. The actual transfer of the planes to the Trust Fund would be classified as federal. All Non-Trust Fund Sales to foreign countries, such as acquisition and cross-servicing agreements, shall be recognized as nonfederal.